

MUHIBBAH ENGINEERING (M) BHD
(Company No : 12737-K)
(Incorporated in Malaysia)

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2011 (2ND QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.06.2011 RM'000	AUDITED AS AT 31.12.2010 RM'000
Assets		
Property, plant and equipment	760,047	623,099
Investment in associates	140,871	135,817
Goodwill and other intangible assets	14,864	14,400
Other non-current assets	30,833	30,946
Total non-current assets	946,615	804,262
Receivables, deposits and prepayments	766,577	896,562
Amount due from contract customers	488,322	583,071
Inventories	186,888	179,118
Current tax assets	4,914	3,374
Derivative assets	13,174	41,312
Cash and cash equivalents	331,689	201,106
Total current assets	1,791,564	1,904,543
Total assets	2,738,179	2,708,805
Equity		
Share capital	204,036	199,196
Reserves	285,833	252,318
Total equity attributable to shareholders of the Company	489,869	451,514
Minority interests	114,434	107,551
Total equity	604,303	559,065
Liabilities		
Payables and accruals	14,377	15,324
Loans and borrowings	254,615	264,154
Deferred tax liabilities	48,358	48,240
Total non-current liabilities	317,350	327,718
Provision, payables and accruals	530,663	807,191
Amount due to contract customers	428,741	278,022
Bills payables	633,520	540,596
Derivative liabilities	-	3,509
Loans and borrowings	210,065	182,069
Tax liabilities	13,537	10,635
Total current liabilities	1,816,526	1,822,022
Total liabilities	2,133,876	2,149,740
Total equity and liabilities	2,738,179	2,708,805
Net assets per share attributable to shareholders of the Company (RM)	1.21	1.14

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements)

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2011 (2ND QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.6.2011 RM'000	30.6.2010 RM'000	30.6.2011 RM'000	30.6.2010 RM'000
Revenue		513,102	463,280	907,438	873,857
Cost of sales and operating expenses		(493,038)	(442,008)	(869,467)	(849,853)
Other income		1,774	968	5,279	2,022
Results from operating activities		21,838	22,240	43,250	26,026
Interest income		1,733	560	2,565	1,079
Finance costs		(7,533)	(10,797)	(11,828)	(12,784)
Operating profit		16,038	12,003	33,987	14,321
Share of profit after tax and minority interest of equity accounted associates		7,250	7,432	14,384	13,949
Profit before tax and exceptional items		23,288	19,435	48,371	28,270
Exceptional items	5	-	-	-	-
Profit before tax		23,288	19,435	48,371	28,270
Tax expense	18	(5,890)	(5,378)	(11,510)	(7,476)
Profit for the period		17,398	14,057	36,861	20,794
Other comprehensive income					
Foreign currency translation differences for foreign operations		2,454	(4,389)	3,258	(16,352)
Revaluation of property, plant and equipment		-	-	-	-
Other comprehensive income for the period		2,454	(4,389)	3,258	(16,352)
Total comprehensive income for the period		19,852	9,668	40,119	4,442
Profit attributable to:					
Owners of the Company		13,817	10,785	32,017	16,083
Minority interests		3,581	3,272	4,844	4,711
Profit for the period		17,398	14,057	36,861	20,794
Total comprehensive income attributable to:					
Owners of the Company		12,766	10,973	33,707	4,727
Minority interests		7,086	(1,305)	6,412	(285)
Total comprehensive income for the period		19,852	9,668	40,119	4,442
Earnings per ordinary share					
Basic (Sen)	25	3.46	2.73	8.04	4.06
Diluted (Sen)	25	3.36	2.66	7.80	3.98

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2011 (2ND QUARTER)

	← Attributable to shareholders of the Company →							
	← Non-distributable →				Distributable			
	Share capital RM'000	Treasury shares RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000	Retained earnings RM'000	Total equity attributable to shareholders of the Company RM'000		Minority interest RM'000
At 1 January 2010								
As previously stated	198,685	(5,561)	37,722	14,405	204,937	450,188	101,504	551,692
Rectification of brought forward realised foreign exchange difference previously included in work-in-progress	-	-	-	-	(24,639)	(24,639)	-	(24,639)
	198,685	(5,561)	37,722	14,405	180,298	425,549	101,504	527,053
Effect of adopting FRS 139	-	-	-	-	(75,522)	(75,522)	(5,551)	(81,073)
At 1 January 2010, restated	198,685	(5,561)	37,722	14,405	104,776	350,027	95,953	445,980
Share option exercised	172	-	3	-	-	175	3,699	3,874
Share-based payments	-	-	44	-	-	44	23	67
Issuance of warrants	-	-	2,280	-	-	2,280	-	2,280
Total comprehensive income for the period	-	-	-	(11,356)	16,083	4,727	(285)	4,442
At 30 June 2010	198,857	(5,561)	40,049	3,049	120,859	357,253	99,390	456,643
At 1 January 2011	199,196	(5,561)	128,850	(1,266)	130,295	451,514	107,551	559,065
Share options exercised	4,840	-	(192)	-	-	4,648	1,297	5,945
Share-based payments	-	-	-	-	-	-	(240)	(240)
Dividends to minority interests	-	-	-	-	-	-	(1,103)	(1,103)
Dilution of interest in subsidiary	-	-	-	-	-	-	517	517
Total comprehensive income for the period	-	-	-	1,690	32,017	33,707	6,412	40,119
At 30 June 2011	204,036	(5,561)	128,658	424	162,312	489,869	114,434	604,303

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements)

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011 (2ND QUARTER)

	Unaudited YTD 30.06.2011 RM'000	Audited YTD 30.06.2010 RM'000
Operating profit before interest, tax, depreciation and amortisation	89,442	67,319
Net changes in working capital	97,319	(169,429)
Net income taxes paid	(10,259)	(3,163)
Net cash generated from/(used in) operating activities	176,502	(105,273)
Net cash used in investing activities	(148,583)	(8,727)
Net cash generated from financing activities	94,901	130,259
Net increase in cash and cash equivalents	122,820	16,259
Cash and cash equivalents at 1 January	192,342	247,242
Currency translation differences	5,500	(1,623)
Cash and cash equivalents at 31 December	320,662	261,878

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	30.06.2011 RM'000	30.06.2010 RM'000
Cash and bank balances	214,556	176,806
Deposits placed with licensed banks	117,133	89,797
Cash and cash equivalents per balance sheet	331,689	266,603
Bank overdrafts	(11,027)	(4,725)
	320,662	261,878

**The Condensed Consolidated Cash Flow statements should be read in conjunction with the
Annual Financial Report for the year ended 31 December 2010**

MUHIBBAH ENGINEERING (M) BHD
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2011 (2ND QUARTER)

1. ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The interim financial statements are unaudited and have been prepared in accordance with the FRS 134 : Interim Financial Reporting and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010 except for the adoption of the following new FRSs and IC Interpretations, and amendments to certain FRSs and IC Interpretations for financial period beginning 1 July 2010 and 1 January 2011:

Effective for annual periods beginning on or after 1 July 2010

FRS 1, *First-time Adoption of Financial Reporting Standards*

FRS 3 (revised), *Business Combinations*

FRS 127 (revised), *Consolidated and Separate Financial Statements*

Amendments to FRS 5, *Plan to Sell the Controlling Interest in a Subsidiary*

Amendments to FRS 2, *Scope of FRS2 and FRS3 (revised)*

Amendments to FRS 138, *Consequential Amendments Arising from FRS 3 (revised)*

Amendments to IC Interpretation 9, *Scope of IC Interpretation 9 and FRS 3 (revised)*

IC Interpretation 12, *Service Concession Arrangements*

IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*

IC Interpretation 17, *Distributions of Non-cash Assets to Owners*

Effective for annual periods beginning on or after 1 January 2011

Amendments to FRS2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*

Amendments to FRS1 (revised), *Limited Exemption from Comparative FRS7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters*

Amendments to FRS 7, *Improving Disclosures about Financial Instruments*

IC Interpretation 18, *Transfers of Assets from Customers*

IC Interpretation 4, *Determining Whether An Arrangement Contains a Lease*

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below:

a) FRS 3 (revised), Business Combination

- FRS 3 (revised) incorporates the following changes that are likely to be relevant to the Group's operations:
- Contingent consideration will be measured at fair value, with subsequent changes there in recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit and loss.
- Any minority (will be known as non-controlling) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction

FRS 3 (revised), which becomes mandatory for the Group's 2011 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statements.

b) FRS 127 (revised), Consolidated and Separate Financial Statements

FRS 127 (revised) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of the parent. The Group will apply the major changes FRS127 (revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial year but may impact the accounting for its future transactions or arrangements.

Other than the principal effects as discussed above, the adoption of the above FRSs, Amendments and IC Interpretations do not have any significant financial impact on the Group's result.

3. AUDIT REPORT OF THE PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Auditors' Report on the financial statements of the preceding financial year was not subject to audit

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

5. EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items affecting financial statements of the Group for the current quarter under review other than as disclosed.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior interim periods and prior financial years that have a material effect in the current quarter under review.

7. DEBT AND EQUITY SECURITIES

During the period ended 30 June 2011, a total of 9,681,500 new ordinary shares of RM0.50 each was issued at RM0.51, pursuant to the exercise of the Employees' Share Option Scheme.

Other than as mentioned above, there were no cancellation, repurchase, resale and repayment of debts and equity securities during the period under review.

8. DIVIDEND PAYMENT

There is no payment of dividend for the financial quarter under review.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 30.06.2011	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	674,454	16,691
Cranes	195,060	13,316
Marine ship repair and ship building	320,167	40,589
Concession	-	12,098
	<hr/>	<hr/>
	1,189,681	82,694
Less: Group eliminations	(282,243)	(34,323)
	<hr/>	<hr/>
	<u>907,438</u>	<u>48,371</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes to the valuation of property, plant and equipment from the previous year's audited financial statements.

11. MATERIAL SUBSEQUENT EVENTS

There is no material subsequent event from the end of the period to 19 August 2011.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

There were no major changes in the composition of the Group during the current quarter under review except for the following:

- a) On 25 February 2011, a subsidiary of the Company, Favelle Favco Bhd, had incorporated a new wholly-owned subsidiary under the name Favelle Favco Winches Pte. Ltd. ("FFW"). FFW is a private company limited by shares incorporated under the Companies Act (Cap.50).

The issued and fully paid up capital of FFW is SGD1 divided into 1 ordinary shares of SGD1 each at the date of incorporation. On 10 April 2011, the Company subscribed for an additional new shares of 149,999 ordinary shares of SGD1 each in FFW at par for a cash consideration of SGD149,999.

The intended principal activity of FFW is design, fabrication, trading, service and rental of winches, hydraulic systems and material handling equipment.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Since the last annual balance sheet as at 31 December 2010, there were no material changes in the contingent liabilities of the Company except for the following:

Corporate guarantees for credit facilities granted to subsidiary companies	<u>RM'000</u> <u>184,705</u>
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14. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2011 vs. Q1 2011)

The Group reported a lower consolidated profit after tax for the current quarter of RM17.40 million as compared to RM19.46 million reported in the previous quarter. The main reason is because of normal low season with lesser passenger arrivals for the Cambodia Airports for the second quarter of the year.

15. REVIEW OF GROUP PERFORMANCE (YTD Q2 2011 vs. YTD Q2 2010)

The Group reported an increase of 77% consolidated profit after tax to RM36.86 million for the current period ended 30 June 2011 under review as compared to RM20.79 million for the last corresponding period ended 30 June 2010. This is mainly due to better results from the Infrastructure Construction Division and the Cranes Division.

16. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 19 August 2011, the total outstanding secured order book in hand of the Group is RM3.08 billion, comprises of RM2.21 billion from Infrastructure Construction Division, RM675 million from Cranes Division and RM194 million from Shipyard Division. These outstanding secured order books will take us into 2014.

b) Current Year Prospect

The receivership on the Asia Petroleum Hub Sdn Bhd ("APH"), a major customer of the Group, has been uplifted in August 2011. APH then continues its process of negotiation with investors to inject fund to complete the project.

The outlook of the Group is not expected to be materially affected with the recent development in western countries as our market are mainly centralised in the Asia Pacific region.

17. PROFIT FORECAST

The Group has not issued any profit forecast or profit guarantee during the current quarter under review.

18. TAXATION

	Current Quarter 30.06.2011 RM'000	Cumulative Qtr To date 30.06.2011 RM'000
Corporate tax expense		
Malaysia - current	(2,266)	(7,783)
Overseas - current	(1,134)	(1,237)
	(3,400)	(9,020)
Deferred tax expense		
Malaysia - current	(2,490)	(2,490)
Overseas - current	-	-
	(2,490)	(2,490)
Total tax expense	<u>(5,890)</u>	<u>(11,510)</u>

The Group effective tax rate is lower than the statutory tax rate mainly due to tax incentives from certain subsidiaries and lower income tax for foreign country contract projects.

19. SALE OF UNQUOTED INVESTMENT AND / OR PROPERTIES

There was no sale of unquoted investment and/or properties during the current quarter under review.

20. SALE/ PURCHASE OF QUOTED SECURITIES

The Group did not sell or purchase any quoted securities during the quarter under review.

21. CORPORATE PROPOSALS

Save for the following proposals, there is no other proposal announced but pending implementation as at the date of this report:

Proposed establishment of a new employees' share option scheme ("Proposed ESOS")

The shareholders of the Company had approved the Proposed new ESOS scheme and the Company had duly lodged the new ESOS Bylaws with Bursa Malaysia Securities Berhad.

22. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured	RM	11,388	11,388
	AUD	146	473
	Sub- total		11,861
Unsecured	RM	183,711	183,711
	USD	4,045	12,242
	SGD	792	1,945
	Sub- total		197,898
b) Hire purchase and finance lease	RM	51	51
	DKK	434	255
	Sub- total		306
Total Short Term Borrowings			210,065
a) Long term borrowings			
Secured	RM	90,293	90,293
	Sub-total		90,293
Unsecured	RM	163,992	163,992
	USD	-	-
	Sub-total		163,992
b) Hire purchase and finance lease	RM	72	72
	DKK	440	258
	Sub-total		330
Total Long Term Borrowings			254,615
Total borrowings			464,680

23. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2011, the Group had the following outstanding derivative financial instruments:

Derivatives	Contract value	Market value
	RM'000	as at 30 June 2011
		RM'000
Forward foreign exchange contracts		
- Purchase USD, sell RM	(35,337)	(34,881)
- Sell USD, buy RM	197,777	190,298
- Sell USD, buy AUD	6,907	6,801
- Sell SGD, buy RM	159,762	161,262
- Sell Euro, buy RM	105,109	97,564

Forward foreign exchange contract is used as a hedging tool to minimise the Group's exposure to exchanges in fair value of its commitment, conducted in the ordinary course of business, as a result of fluctuation in exchange rate. There is minimal credit and market risk because the contracts are hedged with reputable banks.

24. MATERIAL LITIGATION

The material litigation of the Group are as follow:

i. QSA Marine Logistics Pte Ltd (“QSA”) v MEB

The Arbitration proceedings against the Company commenced by QSA Marine Logistics Pte Ltd (“QSA”) in Singapore, as previously reported remain ongoing.

The Company intends to vigorously defend the same.

ii. KEMJ Engineering Sdn Bhd (“KEMJ”) v MEB

The Suit against the Company commenced by KEMJ Engineering Sdn Bhd (“KEMJ”) in the Shah Alam High Court, remain ongoing.

The Court has since allowed KEMJ’s summary judgement application for RM3.22 million. However, execution of the said summary judgement has been stayed pending disposal of the Company’s counterclaim against KEMJ for RM3.23 million, which has been fixed for full trial on 4th and 5th October 2011.

iii. Supreme Court of the State of New York

The Suits against the Company's subsidiary, Favelle Favco Berhad (“FFB”), and FFB’s subsidiary, Favelle Favco Cranes (USA) Inc (“FFU”), commenced by persons/companies in New York vide suits instituted in the Supreme Court of the State of New York, as previously reported remain ongoing.

FFB and FFU intend to vigorously defend the same.

iv. District Court of Bexar County, Texas

The Suit against the Company's subsidiary, FFB, and FFB's subsidiary, FFU, commenced by Zachry Industrial, Inc. in the District Court of Bexar County, Texas, as previously reported remain ongoing.

FFB intends to have the Suit dismissed against itself at the appropriate juncture and in any case, FFB and FFU intend to vigorously defend the Suit.

25. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	30.06.2011		30.06.2011	
Net profit attributable to the shareholders of the Company (RM'000)	13,817	32,017	13,817	32,017
Weighted average number of ordinary shares in issue ('000)	399,066	398,147	399,066	398,147
Effect of dilution:				
Share options ('000)	-	-	174	174
Warrants ('000)	-	-	12,266	12,266
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	399,066	398,147	411,506	410,587
EPS (Sen)	3.46	8.04	3.36	7.80

26. REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Total retained profits/ (accumulated losses) of Muhibbbah Engineering (M) Bhd and its subsidiaries:		
- Realised	141,291	131,341
- Unrealised	(27,840)	(58,755)
	113,451	72,586
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	81,902	78,080
- Unrealised	381	(1,981)
	82,283	76,099
Less: Consolidation adjustments	(33,422)	(18,390)
Total Group retained profits	162,312	130,295

27. COMPARATIVE FIGURES

Comparative figures, where applicable, have been modified to conform with the current quarter presentation.

28. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 August 2011.

**By order of the Board of Directors
Company Secretary
Date : 26 August 2011**