

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2012 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.03.2012 RM'000	AUDITED AS AT 31.12.2011 RM'000
Assets		
Property, plant and equipment	765,611	764,381
Investment in associates	145,310	141,853
Goodwill and other intangible assets	-	-
Other non-current assets	19,852	20,714
Total non-current assets	930,773	926,948
Receivables, deposits and prepayments	917,329	891,074
Amount due from contract customers	486,324	536,876
Inventories	223,029	202,965
Current tax assets	1,229	1,381
Derivative assets	2,957	6,438
Cash and cash equivalents	320,334	323,241
Total current assets	1,951,202	1,961,975
Total assets	2,881,975	2,888,923
Equity		
Share capital	204,107	204,107
Reserves	326,686	311,286
Total equity attributable to owners of the Company	530,793	515,393
Non-controlling interests	129,601	124,583
Total equity	660,394	639,976
Liabilities		
Payables and accruals	14,560	14,970
Loans and borrowings	228,008	234,264
Deferred tax liabilities	46,448	46,492
Total non-current liabilities	289,016	295,726
Provision, payables and accruals	543,134	739,558
Amount due to contract customers	343,074	289,936
Bills payables	814,748	698,705
Derivative liabilities	617	-
Loans and borrowings	223,522	215,523
Tax liabilities	7,470	9,499
Total current liabilities	1,932,565	1,953,221
Total liabilities	2,221,581	2,248,947
Total equity and liabilities	2,881,975	2,888,923
Net assets per share attributable to owners of the Company (RM)	1.31	1.27

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 31 MARCH 2012 (1ST QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.3.2012 RM'000	31.3.2011 RM'000	31.3.2012 RM'000	31.3.2011 RM'000
Revenue		419,203	394,336	419,203	394,336
Cost of sales and operating expenses		(404,706)	(376,429)	(404,706)	(376,429)
Other income		3,808	3,505	3,808	3,505
Results from operating activities		18,305	21,412	18,305	21,412
Interest income		992	832	992	832
Finance costs		(5,050)	(4,295)	(5,050)	(4,295)
Operating profit		14,247	17,949	14,247	17,949
Share of profit after tax and minority interest of equity accounted associates		10,450	7,134	10,450	7,134
Profit before tax		24,697	25,083	24,697	25,083
Tax expense	19.	(3,584)	(5,620)	(3,584)	(5,620)
Profit for the period		21,113	19,463	21,113	19,463
Other comprehensive income					
Foreign currency translation differences for foreign operations		(2,975)	804	(2,975)	804
Other comprehensive income for the period		(2,975)	804	(2,975)	804
Total comprehensive income for the period		18,138	20,267	18,138	20,267
Profit attributable to:					
Owners of the Company		16,526	18,200	16,526	18,200
Non-controlling interests		4,587	1,263	4,587	1,263
Profit for the period		21,113	19,463	21,113	19,463
Total comprehensive income attributable to:					
Owners of the Company		13,330	20,941	13,330	20,941
Non-controlling interests		4,808	(674)	4,808	(674)
Total comprehensive income for the period		18,138	20,267	18,138	20,267
Earnings per ordinary share					
Basic (Sen)	23.	4.07	4.58	4.07	4.58
Diluted (Sen)	23.	3.88	4.38	3.88	4.38

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 31 MARCH 2012 (1ST QUARTER)**

	Attributable to shareholders of the Company				Retained earnings RM'000	Total equity attributable to owners of the Company RM'000	Non- controlling interests RM'000	Total equity RM'000
	Non-distributable		Distributable					
	Share capital RM'000	Treasury shares RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000				
At 1 January 2011								
As previously stated	199,196	(5,561)	128,850	(1,266)	130,295	451,514	107,551	559,065
Effect of adopting MFRS	-	-	-	1,266	(1,266)	-	-	-
At 1 January 2011, restated	199,196	(5,561)	128,850	-	129,029	451,514	107,551	559,065
Foreign currency translation differences for foreign operations	-	-	-	2,741	-	2,741	(1,937)	804
Profit for the year	-	-	-	-	18,200	18,200	1,263	19,463
Total comprehensive income for the year	-	-	-	2,741	18,200	20,941	(674)	20,267
Share option exercised	575	-	11	-	-	586	163	749
Dilution of interest in subsidiary	-	-	-	-	-	-	63	63
Dividends to non-controlling interest	-	-	-	-	-	-	(1,090)	(1,090)
At 31 March 2011	<u>199,771</u>	<u>(5,561)</u>	<u>128,861</u>	<u>2,741</u>	<u>147,229</u>	<u>473,041</u>	<u>106,013</u>	<u>579,054</u>
At 1 January 2012								
As previously stated	204,107	(5,561)	130,392	2,074	184,381	515,393	124,583	639,976
Share option forfeited	-	-	(604)	-	604	-	-	-
Effect of adopting MFRS	-	-	-	1,266	(1,266)	-	-	-
At 1 January 2012, restated	204,107	(5,561)	129,788	3,340	183,719	515,393	124,583	639,976
Foreign currency translation differences for foreign operations	-	-	-	(3,196)	-	(3,196)	221	(2,975)
Profit for the year	-	-	-	-	16,526	16,526	4,587	21,113
Total comprehensive income for the year	-	-	-	(3,196)	16,526	13,330	4,808	18,138
Share-based payments	-	-	2,070	-	-	2,070	210	2,280
At 31 March 2012	<u>204,107</u>	<u>(5,561)</u>	<u>131,858</u>	<u>144</u>	<u>200,245</u>	<u>530,793</u>	<u>129,601</u>	<u>660,394</u>

(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 2011 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 31 MARCH 2012 (1ST QUARTER)**

	Unaudited YTD 31.3.2012 RM'000	Audited YTD 31.3.2011 RM'000
Profit before tax	24,697	25,083
Adjustment for:		
Amortisation of development costs	518	442
Amortisation of land held for development	52	9
Depreciation of investment properties	4	4
Depreciation of property, plant and equipment	12,567	10,818
Fair value adjustment on derivative instruments	4,098	1,122
Finance costs	12,668	8,812
(Gain)/ loss on disposal of property, plant and equipments	(934)	78
Impairment loss on receivables	-	1,899
Reversal of impairment loss on receivables	(946)	(2,132)
Interest income	(992)	(832)
Property, plant and equipment written off	111	-
Provision for warranties	483	176
Reversal of impairment on other investment	-	(21)
Reversal of provision for warranties	(120)	(2,304)
Share based payment	2,280	-
Share of profit of associates	(10,450)	(7,134)
Write-down of inventories	1,281	-
Operating profit before changes in working capital	45,317	36,020
Receivables, deposits and prepayments	(36,346)	3,280
Inventories	(21,345)	5,583
Payables and accruals	(197,384)	(245,307)
Amount due to/ (from) contract customers	103,690	173,202
Cash generated from/ (used in) operations	(106,068)	(27,222)
Net income taxes paid	(5,203)	(6,057)
Net cash generated from/(used in) operating activities	(111,271)	(33,279)
Cash flows from investing activities		
Additions to development expenditures	-	(7,834)
Dividend received from associates	4,200	-
Interest received	977	832
Proceed from disposal of property, plant and equipment	6,281	6,250
Purchase of property, plant and equipment	(11,667)	(8,441)
Purchase of other non-currents assets	-	(22)
Net cash used in investing activities	(209)	(9,215)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31MARCH 2012 (1ST QUARTER)**

(cont'd)

	Unaudited YTD 31.3.2012 RM'000	Audited YTD 31.3.2011 RM'000
Cash flows from financing activities		
Interest paid	(12,648)	(8,812)
Proceed from exercise of share options	-	586
Proceed from issuance of shares to non-controlling interests	-	163
Net drawdown/ (repayment) of loans and borrowings	114,165	89,812
Net cash generated from financing activities	101,517	81,749
Currency translation differences	3,435	130
Net increase in cash and cash equivalents	(6,528)	39,385
Cash and cash equivalents at 1 January	315,834	192,342
Cash and cash equivalents at 31 March	309,306	231,727

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

	31.3.2012 RM'000	31.3.2011 RM'000
Cash and bank balances	201,633	161,971
Deposits placed with licensed banks	118,701	77,356
Cash and cash equivalents per balance sheet	320,334	239,327
Bank overdrafts	(11,028)	(7,600)
	309,306	231,727

(The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011 and the accompanying notes attached to the interim financial statements)

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
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1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements"), including compliance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB").

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

The significant accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2011, except for the adoption of new MFRS framework.

Details of these changes in accounting policies are set out in Note 2. These explanatory notes attached to the interim financial statements 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 year ended 31 December 2011.

2. CHANGES IN ACCOUNTING POLICIES

These interim financial statements for the period ended 31 March 2012, is the first interim financial statements that the Group had prepared in accordance with MFRSs. The audited financial statements for the financial year ended 31 December 2011 were prepared under Financial Reporting Standards ("FRS"). Except for certain differences, the requirements under FRS and MFRS are similar. The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS1. The impact of the transition from FRS to MFRS are described below:

Foreign currency translation reserve ("FCTR")

At the date of transition to MFRS, the cumulative foreign currency differences of RM1,266,000 is adjusted to retained earnings. The reconciliation of equity for comparative periods and of equity at date of transition reported under FRS to those reported for periods and at the date of transition under MFRS is as follows:-

Reconciliation of equity as at 1 January 2011

	FRS as at 1.1.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 1.1.2011 RM'000
Equity			
FCTR	(1,266)	1,266	-
Retained earnings	130,295	(1,266)	129,029

Reconciliation of equity as at 31 March 2011

	FRS as at 31.3.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.3.2011 RM'000
Equity			
FCTR	1,475	1,266	2,741
Retained earnings	148,495	(1,266)	147,229

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Foreign currency translation reserve ("FCTR") (Cont'd)

Reconciliation of equity as at 31 December 2011

	FRS as at 31.12.2011 RM'000	Effect of transition to MFRS RM'000	MFRS as at 31.12.2011 RM'000
Equity			
FCTR	2,074	1,266	3,340
Retained earnings	184,381	(1,266)	183,115

The Group has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations ("IC Int.") were in issued but not yet effective:

		<u>Effective Date</u>
• MFRS 9	Financial Instruments	1 January 2015
• MFRS 10	Consolidated Financial Statements	1 January 2013
• MFRS 11	Joint Arrangements	1 January 2013
• MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
• MFRS 13	Fair Value Measurement	1 January 2013
• MFRS 119	Employee Benefits	1 January 2013
• MFRS 127	Separate Financial Statements	1 January 2013
• MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
• Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
• Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
• IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

3. AUDIT REPORT OF THE PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Auditors' Report of the financial statements for 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

There were no issuances, cancellation, repurchases, resale and repayments of debts and equity securities for the current quarter under review.

8. DIVIDEND PAYMENT

There is no dividend paid for the financial quarter under review.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Period ended 31.3.2012	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	380,186	7,778
Cranes	129,101	11,115
Marine ship repair and ship building	37,251	10,160
Concession	-	8,473
	<hr/>	<hr/>
	546,538	37,526
Less: Group eliminations	(127,335)	(12,829)
	<hr/>	<hr/>
	<u>419,203</u>	<u>24,697</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 25 May 2012.

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.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Since the last annual balance sheet as at 31 December 2011, 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>162,048</u>
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14. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2012 vs. Q4 2011)

The Group recorded revenue of RM419.2 million and profit before tax of RM24.7 million for the quarter ended 31 March 2012 as compared to revenue and profit before tax of RM595.2 million and RM30.1 million respectively in the preceding quarter .

The variation is mainly due to higher revenue generated by cranes and shipyard divisions with the completion of more cranes and vessels during the forth quarter of the year 2011.

15. REVIEW OF GROUP PERFORMANCE (YTD Q1 2012 vs. YTD Q1 2011)

The Group recorded an increase in revenue by 6.3% to RM419.2 million for 3 months period ended 31 March 2012 as compared to RM394.3 million in the corresponding quarter in the preceding year ended 31 March 2011.

The Group recorded an increase of 8.5% consolidated profit after tax to RM21.1 million for the period ended 31 March 2012 under review as compared to RM19.5million for the corresponding period ended 31 March 2011.

The better result is mainly derived from higher revenue and contribution from cranes and concession divisions.

16. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 25 May 2012, the total outstanding secured order book in hand of the Group is RM2.96 billion, comprises of RM2.16 billion from Infrastructure Construction Division, RM702 million from Cranes Division and RM95 million from Shipyard Division. These outstanding order books will take us into 2014.

b) Current Year Prospect

PricewaterhouseCoopers, the Receiver and Managers ("R&M") appointed by financier for Asia Petroleum Hub Sdn Bhd ("APH"), one of the major debtor of the Group is in the process of carrying out proof of debts exercise to verify amount due by APH to creditors. Thereafter the R&M will table a proposed restructuring scheme for creditors' approval to revive the project.

The Group continues its efforts to secure more projects and orders from both local and international market especially from the oil & gas, infrastructure and marine industries.

17. PROFIT FORECAST

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

18. OPERATING PROFIT

	Current Quarter 31.3.2012 RM'000	Cumulative Qtr To date 31.3.2012 RM'000
Operating profit is arrived at after (crediting)/charging the following:		
Depreciation and amortisation	13,141	13,141
Finance costs		
-Income statement	5,050	5,050
-contract cost	7,618	7,618
	<u>12,668</u>	<u>12,668</u>
(Gain)/loss on derivatives/ foreign exchange	1,575	1,575
(Gain)/loss on disposal of property,plant and equipment	(934)	(934)
Interest income	(992)	(992)
Provision for and write off of inventories	1,281	1,281

19. TAXATION

	Current Quarter 31.3.2012 RM'000	Cumulative Qtr To date 31.3.2012 RM'000
Corporate tax expense		
Malaysia - current	(3,174)	(3,174)
Overseas - current	(422)	(422)
	<u>(3,596)</u>	<u>(3,596)</u>
Deferred tax expense		
Malaysia - current	12	12
Overseas - current	-	-
	<u>12</u>	<u>12</u>
Total tax expense	<u><u>(3,584)</u></u>	<u><u>(3,584)</u></u>

The Group's effective tax rate for the current period is lower than the statutory tax rate mainly due to tax incentive enjoyed by the local subsidiary.

20. CORPORATE PROPOSALS

There is no proposal announced but pending implementation as at the date of this report.

21. GROUP BORROWINGS AND DEBT SECURITIES

		Foreign Currency		RM'000
		Currency	Amount	
a) Short term borrowings				
	Secured	RM	19,272	19,272
		AUD	369	1,174
		Sub- total		20,446
	Unsecured	RM	197,839	197,839
		USD	859	2,635
		SGD	968	2,361
		Sub- total		202,835
b) Hire purchase and finance lease		RM	51	51
		DKK	346	190
		Sub- total		241
Total Short Term Borrowings				223,522
a) Long term borrowings				
	Secured	RM	67,955	67,955
		Sub-total		67,955
	Unsecured	RM	159,867	159,867
		Sub-total		159,867
b) Hire purchase and finance lease		RM	32	32
		DKK	280	154
		Sub-total		186
Total Long Term Borrowings				228,008
Total borrowings				451,530

22. 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 (disponent owners of the barge) in Singapore and third party claim by the owner of the said barge against the Company in the High Court of Malaya at Shah Alam, as previously reported remain ongoing. The Company intends to vigorously defend these claims.

ii. Muhibbah-LTAT JV (the "JV") v Government of Malaysia

The Arbitration proceedings commenced by the Joint Venture (in which the Company holds a 51% interest) against the Government of Malaysia vide the Ministry of Defence ("GOM"), as previously reported remains ongoing.

22. MATERIAL LITIGATION (cont'd)

iii. MEB v ZAQ Construction Sdn Bhd ("ZAQ")

The Suit commenced by the Company against ZAQ, as previously reported remains ongoing.

iv. Supreme Court of the State of New York

The Suits against the Company, its 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. The Company, FFB and FFU intend to vigorously defend the same.

v. Supreme Court of the State of New York, Country of New York

The Suits against Favelle Favco Cranes (USA) Inc ("FFU"), commenced by Mr. Robert Pararella ("the Plaintiff") in the Supreme Court of the State of New York, as previously reported in the audited accounts for the year ended 31 December 2011 remain ongoing. FFU intend to vigorously defend the same.

23. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.3.2012		31.3.2012	
Net profit attributable to the owners of the Company (RM'000)	16,526	16,526	16,526	16,526
Weighted average number of ordinary shares in issue ('000)	406,430	406,430	406,430	406,430
Effect of dilution:				
Share options ('000)	-	-	12,296	12,296
Warrants ('000)	-	-	6,803	6,803
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	406,430	406,430	425,529	425,529
EPS (Sen)	4.07	4.07	3.88	3.88

24. REALISED AND UNREALISED PROFITS/LOSSES

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits/ (accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:		
- Realised	222,515	166,174
- Unrealised	(30,058)	(18,710)
	192,457	147,464
Total retained profits/ (accumulated losses) from associated companies:		
- Realised	87,530	81,285
- Unrealised	(557)	(561)
	86,973	80,724
Less: Consolidation adjustments	(79,185)	(43,807)
Total Group retained profits	200,245	184,381

25. COMPARATIVE FIGURES

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

26. 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 31 May 2012.

By order of the Board of Directors
Company Secretary
Date : 31 May 2012