ANNUAL REPORT
2011

MUHIBBAH ENGINEERING (M) BHD

Company No.: 12737-K

Corporate Information

Board of Directors

Tuan Haji Mohamed Taib bin Ibrahim *(Chairman, Independent Non-Executive Director)*

Datuk Zakaria bin Abdul Hamid *(Vice Chairman, Independent Non-Executive Director)*

Mac Ngan Boon @ Mac Yin Boon *(Managing Director)*

Ooi Sen Eng *(Executive Director)*

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor *(Senior Independent Non-Executive Director)*

Low Ping Lin *(Executive Director)*

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar *(Independent Non-Executive Director)*

Lim Teik Hin *(Non-Independent and Non-Executive Director)*

Abd Hamid bin Ibrahim *(Independent Non-Executive Director)*

Mac Chung Jin *(Alternate Director to Ooi Sen Eng)*

Audit Committee

Tuan Haji Mohamed Taib bin Ibrahim *(Chairman)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Datuk Zakaria bin Abdul Hamid
Lim Teik Hin

Company Secretaries

Lee Poh Kwee *(MIA 8033)*
Lim Suak Guak *(MIA 19689)*
Catherine Mah Suik Ching *(LS 01302)*

Registered Office

Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan, Malaysia
Tel: (603) 3342 4323 Fax: (603) 3342 4327

Auditors

Crowe Horwath *(Firm No. AF1018)*
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50460 Kuala Lumpur, Malaysia

Principal Bankers

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Ambank (Malaysia) Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad
Bank of Tokyo – Mitsubishi UFJ
HSBC Bank Malaysia Berhad
Kuwait Finance House (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad

Share Registrar

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel : (603) 2264 3883 Fax: (603) 2282 1886

Stock Exchange Listing

Muhibbah Engineering (M) Bhd
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Muhibah
Bursa Stock Code: 5703
Bloomberg Stock Code: MUHI MK
Listing Date: 25 February 1994

Favelle Favco Berhad
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg Stock Code: FFB MK
Listing Date: 15 August 2006

Investor Relations

Tel: (603) 3349 5444 Fax: (603) 3344 6302
Email: ir@muhibbah.com.my

Website

www.muhibbah.com
www.favellefavco.com

Engineering, Procurement and Construction of Central Oil Distribution Terminal ("CODT") in Tanjung Manis, Sarawak, Malaysia

Contents

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth Annual General Meeting of Muhibbah Engineering (M) Bhd will be held at Kayangan Ballroom, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 28 June 2012 at 3.45 p.m. for the following purposes :-

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve a First and Final Dividend of 10% less 25% income tax in respect of the financial year ended 31 December 2011. **Resolution 2**

3. To re-elect the following Directors who retire pursuant to Article 79 of the Company's Articles of Association :-

   (i) Mac Ngan Boon @ Mac Yin Boon; and **Resolution 3**
   (ii) Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar. **Resolution 4**

4. To consider and, if thought fit, to re-appoint the following Directors who retire pursuant to Section 129(2) of the Companies Act, 1965 and in accordance with Section 129(6) of the Companies Act, 1965 be re-appointed to hold office until the conclusion of the next Annual General Meeting :-

   (i) Tuan Haji Mohamed Taib bin Ibrahim; **Resolution 5**
   (ii) Ooi Sen Eng; and **Resolution 6**
   (iii) Lim Teik Hin **Resolution 7**

5. To re-appoint Messrs Crowe Horwath as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 8**

As Special Business
To consider and, if thought fit, to pass with or without modifications, the following resolutions :-

6. **Ordinary Resolution**

   Proposed Renewal of Authority for Share Buy-Back **Resolution 9**

   "**THAT** subject to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act, 1965 ("the Act"), and the Articles of Association of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company through Bursa Securities ("Proposed Share Buy-Back"), as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

   (i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits and share premium accounts of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until :-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner :-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

7. Ordinary Resolution

Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 10**

"**THAT** subject always to the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in 2.1.2 of the Circular to Shareholders ("Circular") dated 6 June 2012 provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company; and

THAT a New Shareholders' Mandate be and is hereby granted for the Company and/or its subsidiaries to enter into additional recurrent related party transactions of a revenue or trading nature with related parties which are necessary for the day to day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Section 2.1.2 of the Circular to Shareholders dated 6 June 2012;

(collectively known as the "Mandate")

THAT the Mandate conferred by this resolution shall continue to be in force until:-

a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the Mandate is renewed; or

b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

c) revoked or varied by a resolution passed by the Company's shareholders in a general meeting,

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Mandate."

8. To transact any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 58(d) of the Article of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 21 June 2012 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxies to attend and/or vote on his/her behalf.

Notes :-

1. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*

2. *A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.*

3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

4. *The duly completed Form of Proxy must be deposited at the Share Registrar's Office, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.*

Explanatory notes on Special Business

5. **Resolution pertaining to the Proposed Renewal of Authority for Share Buy-Back**
   For Resolution 9, the detailed information on the Proposed Renewal of Authority for Share Buy-Back is set out in the Statement/ Circular to Shareholders dated 6 June 2012 which is dispatched together with the Company's Annual Report 2011.

6. **Resolution pertaining to the Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
   For Resolution 10, the detailed information on the Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature is set out in Statement/ Circular to Shareholders dated 6 June 2012 which is dispatched together with the Company's Annual Report 2011.

Notice of Dividend Entitlement and Payment Date

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 10% less 25% income tax in respect of the financial year ended 31 December 2011, if approved by the shareholders at the forthcoming Thirty-Ninth Annual General Meeting, will be paid on 10 August 2012 to Depositors whose names appear in the Record of Depositors at the close of business on 17 July 2012.

A Depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 17 July 2012 in respect of ordinary transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

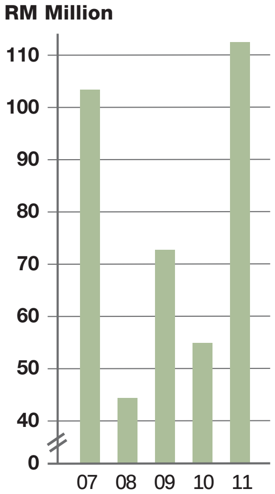
BY ORDER OF THE BOARD

LEE POH KWEE (MIA 8033)
LIM SUAK GUAK (MIA 19689)
CATHERINE MAH SUIK CHING (LS 01302)
Company Secretaries

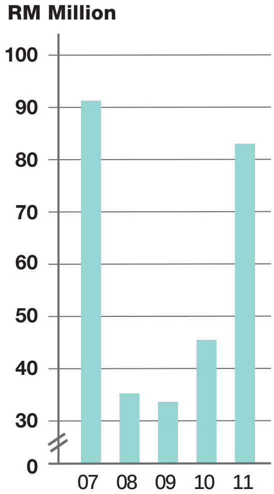
Selangor Darul Ehsan
6 June 2012

Group Financial Highlights

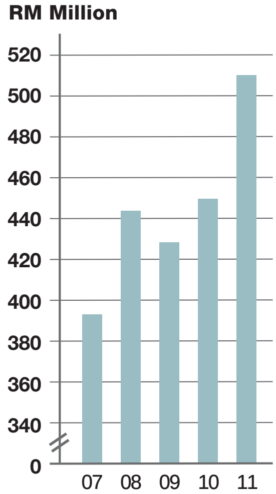
	2007	2008	2009	2010	2011
Turnover (RM'000)	1,411,533	2,033,535	2,252,049	1,768,884	2,026,366
Profit Before Tax (RM'000)	103,005	44,930	72,484	53,277	111,716
Profit After Tax Before Non-controlling Interest (RM'000)	90,285	34,871	33,187	46,284	82,532
Profit After Tax and Non-controlling Interest (RM'000)	70,060	21,800	16,982	32,944	63,772
Total Equity Attributable to Owners of the Company (RM'000)	393,623	441,418	425,549	451,514	515,393
Share Capital (RM'000)	191,783	196,469	198,685	199,196	204,107
Basic Earnings Per Ordinary Share Attributable to Owners of the Company (Sen)	18.60	5.64	4.30	8.32	15.85
Net Assets Per Ordinary Share Attributable to Owners of the Company (RM)	1.04	1.13	1.08	1.14	1.27



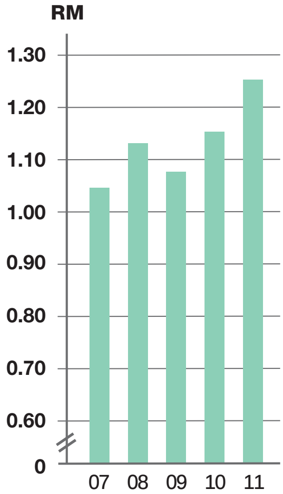
Profit Before Tax



Profit After Tax Before Non-controlling Interest



Total Equity Attributable to Owners of the Company



Net Assets Per Ordinary Share Attributable to Owners of the Company

Core Divisions as at 30 April 2012

MUHIBBAH ENGINEERING (M) BHD. (12737-K)

INFRASTRUCTURE CONSTRUCTION
- 100% MEB CONSTRUCTION SDN. BHD.
- 100% MUHIBBAH STEEL INDUSTRIES SDN. BHD.
- 100% ELELINK SDN. BHD.
  - 60% ITS KONSORTIUM SDN. BHD.
- 95% MUHIBBAH MARINE ENGINEERING (DEUTSCHLAND) GmbH
- 90% MUHIBBAH PETROCHEMICAL ENGINEERING SDN. BHD.
- 60% MUHIBBAH ENGINEERING (CAMBODIA) CO. LTD.
- 50% FREYSSINET PSC (M) SDN. BHD.

CRANES
- 55.57% FAVELLE FAVCO BERHAD
  - 100% FAVELLE FAVCO CRANES (M) SDN. BHD.
  - 100% FAVELLE FAVCO CRANES PTE. LTD.
  - 100% FAVELLE FAVCO CRANES PTY. LIMITED
  - 100% FAVELLE FAVCO CRANES (USA), INC.
  - 100% KROLL CRANES A/S
  - 100% FES EQUIPMENT SERVICES SDN. BHD.
  - 100% FAVELLE FAVCO WINCHES PTE. LTD.

SHIPYARD
- 100% MUHIBBAH MARINE ENGINEERING SDN. BHD.

CONCESSIONS
- 70% MUHIBBAH MASTERON CAMBODIA JV LIMITED
  - 30% SOCIETE CONCESSIONAIRE DE l' AEROPORT
- 21% ROADCARE (M) SDN. BHD.

Only major active companies are included here

A Step Further Globally Marks A New Era

On behalf of the Board of Directors of Muhibbah Engineering (M) Bhd ("the Board"), I am pleased to present the Annual Report and the audited financial statements of Muhibbah Engineering (M) Bhd ("the Company" or "Muhibbah") and its subsidiary companies ("the Muhibbah Group" or "Group") for the financial year ended 31 December 2011.

Tuan Haji Mohamed Taib bin Ibrahim *(Chairman, Independent Non-Executive Director)*

Overview

2011 has been a year marked with great volatility. We saw events such as the political changes in the Middle East, the earthquake and Tsunami and the consequent nuclear fallout fears in Japan. While concerns over the sovereign debt problems of the European countries continued to spread fears, Asian economies were more resilient and generally supported by economic pump-priming activities.

Steel pipe piles installation for LNG Regasification Project in Melaka, Malaysia for Petronas Gas Berhad

Although there were times when the uptrend was intermittently interrupted because of the deepening Eurozone debt crisis and fears of economic slowdown in Asia, crude oil prices remained high. Crude oil prices have in fact recently risen to their 10-month high as a result of geopolitical tension over Iran. Nuclear fallout fears have also pushed the global public energy demand towards oil and gas supplies.

The increase in oil and gas prices continues to fuel investment in the global oil and gas sectors. This has significant spin off with a demand for oil and gas related infrastructure and equipment. Our Group is riding on this wave.

We have made good progress in our businesses both domestically and internationally. The Group recorded a higher revenue of RM2.03 billion for year 2011 or 15% year-on-year growth, which was supported by a higher turnover contributed by the Construction, Crane and Shipyard Divisions.

The Group's net profit after tax and non-controlling interests grew by 94% year-on-year to RM63.77 million for year 2011. This was mainly due to improved performances by our crane and shipyard subsidiaries.

Key Financial Highlights

Some key financial highlights for the financial year ended 31 December 2011 are:

- Group's turnover was RM2.03 billion (2010: RM1.77 billion);
- Group's profit before interest, exceptional items, amortisation and tax was RM212.11 million (2010: RM111.72 million);
- Group's net profit after tax and non-controlling interests increased to RM63.77 million (2010: RM32.94 million);
- Group's basic earnings per share was 15.85 sen (2010: 8.32 sen);
- Group's net assets per share grew to RM1.27 in 2011 from RM1.14 in 2010; and
- Return on equity (ROE) improved to 12.9%, as compared to 8.3% achieved in 2010.


Loading out of caisson rings onto heavy lift vessel for Gorgon Project, Barrow Island LNG Plant in Australia by Muhibbah Steel Industries Sdn Bhd

As at 18 May 2012, the total outstanding order book stands at approximately RM2.96 billion, comprising approximately RM2.16 billion, RM702 million and RM95 million from the construction and engineering, the cranes and the shipyard divisions respectively. Approximately 40% of the total outstanding order book came from the oil and gas industry.

Dividends

The Board is pleased to recommend a first and final dividend of 10% (5.0 sen) less 25% tax per ordinary share of RM0.50 each (2010: 7% (3.5 sen) less 25% tax per ordinary share of RM0.50 each) in respect of the financial year under review, subject to the approval of the


Fabrication yard of Muhibbah Steel Industries Sdn Bhd at Telok Gong, Port Klang, Malaysia

shareholders at the forthcoming Annual General Meeting. The total dividend payable amounts to RM15.241 million (2010: RM10.666 million).

Financial Performance

Details of the performance of each division of the Group for the financial year ended 31 December 2011 and the future prospects of the Group are as follows:-

Construction and Engineering Division

We started the year positively, securing a contract worth approximately RM1.07 billion, together with our Consortium partner Perunding Ranhill Worley Sdn Bhd, from Petronas Gas Bhd to construct a regasification gas terminal off the coast of Malacca.

We were further awarded a contract in May 2011 for the pre-assembly of heavy lifting facility, caissons and preparation of ship barges for the Gorgon LNG Jetty and Marine Structure Project in Australia for a total provisional contract sum of approximately RM101 million.

In June 2011, we were awarded a contract by Northport (Malaysia) Bhd for the development of a multipurpose wharf and associated facilities at Container Terminal 4 (CT 4) for a total contract sum of approximately RM338 million.

Before the close of the year 2011, we marked another new era by entering into a 50:50 joint venture with Monadelphous Group Limited via Monadelphous Muhibbah Marine JV ("MMMJV"). MMMJV has been awarded a major contract worth approximately AUD390 million (equivalent to RM1.24 billion) for the construction of the approach jetty and ship berth and ship loader associated with the Wiggins Island Coal Export Terminal Pty Ltd (WICET) Project at Gladstone in Queensland, Australia.

Monadelphous Group Limited (Monadelphous) is an Australian company listed on the Australian Securities Exchange. Monadelphous is a leading engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure industry sectors in Australia.

Our joint venture in MMMJV with Monadelphous has also proved exciting. It has brought together Muhibbah's global expertise in the delivery of marine and port construction works and Monadelphous's expertise in the civil construction of large-scale projects for customers in exploration and development of Australia's natural resources. This will provide opportunities for similar work within the port and marine industries in Australia.

Major projects completed in 2011 are the engineering, procurement, commissioning and construction of the central oil distribution terminal at Tanjung Manis,

Shipyard of Muhibbah Marine Engineering Sdn Bhd at Telok Gong, Port Klang, Malaysia

Favelle Favco Tower Crane in South Korea, DSME Shipyard

Sarawak for Assar Chemical Dua Sdn Bhd, the precasting of concrete caissons for the Gorgon Project in Australia for Chevron Australia Pty Ltd and the construction and completion of jetty and terminal with additional deck area and ancillary work in Pulau Indah for Port Klang Cruise Centre Sdn Bhd.

We are pleased to say that we continue to make good progress in our ongoing contracts. These contracts are the Petronas regasification gas terminal off the coast of Malacca, the Gorgon Project in Australia, the South Klang Valley Expressway project in Malaysia, the catering facilities at the New Doha International Airport in Qatar, the offshore marine centre in South Avenue 8, Singapore and the Government offices at Putrajaya, Malaysia.

As at 18 May 2012, the outstanding secured order book for the construction and engineering division stands at approximately RM2.16 billion. Existing unbilled order book from infrastructure construction projects will continue to contribute to our future earnings and cashflow for the next few years.

Crane Division

The oil and gas sector recovered significantly and, with some level of pent up demand, saw large investments in rig building globally. The

Favelle Favco Tower Crane on World Trade Center, United States of America replacement cycle of the ageing global fleet appears to be continuing.

The supply chain also coped with the workload much better this time around.

The crane division successfully delivered two new models of offshore cranes during the year, being the flagship PC1000 and the PC400. Both of these machines push the lifting envelope of our product line and also continue to represent our ability to develop and bring newer designs and manufacturing techniques to commercialisation.

We also developed 1 new tower crane model, the K333, which represents our entry into the flat top tower crane market. Furthermore, our Danish division, Kroll Cranes A/S has plans to upgrade two of its current models for launch in 2012.

Our intention of increasing our service revenue continues to show results as we booked a record year for our after-sales service. Our dedicated team has been showing a lot of energy and we continue to see many opportunities for us to improve our after sales offerings and response times.

As at 18 May 2012, the outstanding secured order book for the crane division stands at approximately RM702 million.

Shipyard Division

Our shipyard delivered six (6) vessels in 2011 with a total revenue of approximately RM517.18 million. Repeat orders from our customers are an indication of our customers' confidence in us and their satisfaction with the performance of our yard and our vessels.

Based on recent trends, the charter rates for oil and gas offshore supply vessels are rising with the continuing demands in the oil and gas industry. Petronas also has a capital expenditure of approximately RM250 billion over the next 5 years with more exploration offshore oil and gas wells to be started. This will continue to spur demands

Anchor Handling Tug Supply Vessel by Muhibbah Marine Engineering Sdn Bhd and consequently, investment in offshore supply vessels among marine support service providers and fabrication works contractors.

Recently, the Government is promoting Malaysian shipbuilding and ship repair as another key area under Economic Transformation Programme ("ETP"). This will encourage bankers and ship owners to look for new vessels from local yards.

Concessions Division

Passenger arrivals at our Cambodian airports reported an average growth rate of 13% in 2011, for both the Phnom Penh International Airport and the Siem Reap International Airport.

The prospective economic development in Cambodia, underpinned by an improving economy outlook augurs well for passenger growth in both business and tourism sectors. The Angkor Wat heritage temple of Siem Reap at North of Cambodia is one of the Wonders of the World. The three Cambodian beaches, O'Tres Beach, Ream Beach and Resort Island off Koh Rong, Sihanoukville at South of Cambodia have been named as "Asia's Best Beaches" by Forbes Magazine in 2010.

In conjunction with the Government of Cambodia's vision to promote the Economy and Tourism Industry in Cambodia, Cambodia Angkor Air commenced flights between Siem Reap and Sihanoukville on 14 December 2011. This marks a new era in tourism in Sihanoukville.

The concessions for the Cambodian airports as well as the road maintenance works for federal roads in the central region and the east coast of Peninsular Malaysia continue to generate strong recurring cash flow and contribution for the Group.

Corporate Development

Asia Petroleum Hub Sdn Bhd ("APH") is one of the

Underdeck dredging works for Northport Project, Malaysia major debtors of the Group. As at 31 December 2011, the total outstanding claim from the marine pilling and jetty works for APH's Petroleum Hub and Bunkering Facility in Tanjung Bin, Johor ("APH Project") is approximately RM395 million. CIMB Bank Berhad ("CIMB"), the financier of APH has appointed Mr. Lim San Peen of PricewaterhouseCoopers as receiver and manager ("R&M") over APH to facilitate a restructuring exercise to complete the project.

According to the R&M, the proposed restructuring scheme is supported by the financier, of which, inter alia, may involve debt to equity conversion and new funds being raised to complete the bunkering facility. For this purpose, the R&M has obtained a restraining order from the court for the restructuring scheme to be finalised and presented for approval.

Future Prospects

The continuing weak global growth is pressured by volatility in the Eurozone sovereign debt crisis and by concerns that European and U.S. sanctions against Iran may lead to military conflict in Persian Gulf.

Despite these concerns, investments in the oil and gas industry will continue due to the high demand for energy from global consumers in light of the nuclear crisis in Fukushima. We believe the Malaysian economy is resilient and stable. The Government's ETP will help sustain Malaysia over this period.

We believe the effective implementation of the ETP and 10th Malaysia Plan will provide significant support to steer and sustain Malaysia's economic growth for 2012. Malaysia will see its oil and gas output on the upswing with major investments in the oil and gas sector. We expect higher spending by Petronas and its product sharing partners in the award of more contracts.

In the Malaysian construction sector, we expect to see a roll out of Mass Rapid Transit ("MRT") projects to gain

Construction work in progress for South Klang Valley Expressway ("SKVE")

Construction of Offshore Marine Center for Jurong Town Corporation, Singapore

Main entrance of new catering complex for New Doha International Airport ("NDIA") in Qatar

momentum. We are qualified for all open categories of MRT projects which include packages of elevated civil works, packages of MRT stations and MRT depot.

As the Group's earnings are more broad-based, we are better positioned to weather the uncertainties in both local and overseas economies going forward.

Corporate Governance

The Board is committed to maintaining high standards of corporate governance. The Board is committed to the Company's shareholders to ensure that good corporate governance is adopted and practised by the Muhibbah Group.

The application of and compliance with the principles and best practices as set out in the Code of Corporate Governance, including a Statement on Internal Control, have been included in this Annual Report in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

Corporate Social Responsibility

The Group continually implements safety and health systems within the Group in accordance with the requirements of OHSAS 18001:2007 for each and every project undertaken and to ensure compliance with local and international standards. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. Other CSR activities of the Group in 2011 include its continual commitment to the preservation of the environment, charitable contributions to the welfare of the needy and the less fortunate, as well as undertaking support causes related to personal training and development of and recreational activities for our employees.

Acknowledgement and Appreciation

We would like to express our deepest appreciation to all our esteemed clients, suppliers, business partners, sub-contractors and the regulatory authorities for their ongoing support, which have enabled the Group to achieve another successful year.

Again, to our bankers and valued shareholders, we owe you our thanks and gratitude for your confidence, continued support and active participation throughout these years.

Tuan Haji Mohamed Taib bin Ibrahim
Chairman

Tuan Haji Mohamed Taib bin Ibrahim

Aged 87, Malaysian *(Chairman, Independent Non-Executive Director)*

Member of the Audit Committee, Remuneration Committee and Nomination Committee.

Tuan Haji Mohamed Taib bin Ibrahim is the co-founder of Muhibbah Engineering (M) Bhd and has been an Independent Non-Executive Director of the Company since its inception on 4 September 1972. He was later appointed as Chairman of the Company on 22 May 1973, member of the Audit Committee on 31 December 1993 and on 21 February 2002 as Chairman of both the Nomination and Remuneration Committees.

He had an illustrious and colourful career when he was attached to the Education Department as organiser of schools. In 1967, he ventured into the private sector and helped set up Federal Flour Mills. His former positions in Federal Flour Mills were Administrative Manager and Alternate Director. He was also the Chairman of Kuantan Flour Mills Bhd in 1984. His foray into the marine industry started in 1969 when he was appointed the first Company Secretary of Malaysian International Shipping Corporation. In 1977, he was nominated to lead Johor-based Malaysian Shipyard and Engineering Bhd as the Company's President and Chief Executive Officer, positions which he relinquished in 1988.

He is also a Director of Favelle Favco Berhad.

Datuk Zakaria bin Abdul Hamid

Aged 68, Malaysian *(Vice Chairman, Independent Non-Executive Director)*

Member of the Audit Committee.

Datuk Zakaria bin Abdul Hamid was appointed Vice Chairman of the Company on 20 February 2002 and member of the Audit Committee on 28 March 2003. He obtained a Bachelor of Arts with Honours Degree from the University of Malaya in 1969 and later furthered his studies in 1993 at the Royal College of Defence Studies in London. He started work in 1969 in the Government Service and later in the Prime Minister's Department. His last held position was Director General when he retired in early 2002.

He is also a Director of Landmarks Berhad.

Mac Ngan Boon @ Mac Yin Boon

Aged 68, Malaysian *(Managing Director)*

Member of the Remuneration Committee.

Mac Ngan Boon is the co-founder and Managing Director of the Company since its inception on 4 September 1972. He has been a member of the Remuneration Committee since 21 February 2002.

He obtained a Bachelor of Engineering (Civil) Degree from the University of Western Australia in 1967. He has been a member of the Institute of Engineers Malaysia since 1978 and the Professional Engineer (Malaysia) since 1967. He started work as an engineer for a local construction company.

He has also been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998.

He is also a Director of Favelle Favco Berhad.

Ooi Sen Eng
Aged 70, Malaysian *(Executive Director)*

Member of the Remuneration Committee.

Ooi Sen Eng obtained his Bachelor of Engineering (Civil) Degree from the University of Malaya in 1966. He was admitted as a member of the Professional Engineer (Malaysia) in 1976 and later became a member of the Institute of Engineers Malaysia in 1978.

He gained his early marine engineering construction experience from Zublin AG, a German construction company, where he worked for 6 years until he co-founded Muhibbah Engineering (M) Bhd in 1972. He was appointed Director on 26 May 1973, and a member of the Remuneration Committee on 21 February 2002.

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Aged 68, Malaysian *(Senior Independent Non-Executive Director)*

Member of the Audit Committee, Remuneration Committee and Nomination Committee.

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor was appointed to the Board as an Independent Non-Executive Director on 19 April 2001. He was appointed as a member of the Audit Committee as well as Senior Independent Non-Executive Director on 27 December 2001 in accordance with the Malaysian Code of Corporate Governance, and to whom concerns of the Group may be conveyed. He was further appointed as a member of the Nomination and Remuneration Committees on 21 February 2002.

He had a distinguished career with the Navy and retired as the Chief of the Royal Malaysian Navy in 1999. He is a graduate of the Indonesia Naval Staff College, the United States Naval War College and United States Naval Post-Graduate School in Monterey. Apart from his Naval Professional Qualification, he also obtained a Masters Degree in Public Administration from the Harvard University in 1982.

He is presently also a Director of Favelle Favco Berhad, Affin Islamic Bank Berhad and Boustead Heavy Industries Corporation Berhad.

Low Ping Lin
Aged 58, Malaysian *(Executive Director)*

Low Ping Lin has held the position of Executive Director since 28 December 1993. He obtained a Bachelor's Degree in Civil Engineering from the University of Melbourne, Australia in 1976 and is also a member of the Institute of Engineers, Malaysia. Upon graduation, he joined Jabatan Kerja Raya in the Roads Department. He joined Muhibbah Engineering (M) Bhd in 1980 as Project Engineer.

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar
Aged 56, Malaysian *(Independent Non-Executive Director)*

Member of the Remuneration Committee and Nomination Committee.

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar was appointed to the Board of Muhibbah Engineering (M) Bhd on 15 January 2001 and as a member of the Nomination and Remuneration Committees on 21 February 2002.

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar has been actively involved in the political scene in Malaysia since 1982. From a Press Secretary to the Menteri Besar of Perak in 1982 till 1988 to a Political Secretary of the Menteri Besar of Perak from 1986 till 1999, he then moved on to become a Member of Parliament for the constituency of Larut from 1999. Before this, from 1990 to 1999, he was also Perak State Assemblyman for Batu Kurau.

He is also a Director of Ken Holdings Berhad and Majuperak Holdings Berhad.

Lim Teik Hin

Aged 70, Malaysian *(Non-Independent and Non-Executive Director)*

Member of the Audit Committee.

Lim Teik Hin was appointed to the Board of Muhibbah Engineering (M) Bhd on 28 March 2003 as a Non-Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia. He graduated with an Accountancy Degree from Perth Technical College in 1966. He started his career with an accounting firm in Australia (L.A.Walker & Sons) and subsequently worked with KPMG (Penang) in Malaysia. He then joined Federal Aluminium (M) Bhd. as an Operations Manager. His last held position was Senior Manager in Muhibbah Engineering (M) Bhd.

He is also a Director of Favelle Favco Berhad.

Abd Hamid bin Ibrahim

Aged 63, Malaysian *(Independent Non-Executive Director)*

Abd Hamid bin Ibrahim was appointed to the Board of Muhibbah Engineering (M) Bhd on 18 January 2006 as an Independent Non-Executive Director.

He holds a Master's degree in Petroleum Engineering from Heriot-Watt University, Scotland and a degree in Mining from the Camborne School of Mines, UK. He also attended the Advanced Management Programme at the Wharton School of Management, University of Pennsylvania, USA.

After 3 years in the mining industry, he joined PETRONAS in June 1976 as a Production Engineer in the Production Department and since then had held several managerial positions in the Upstream Sector (including as General Manager, Development Division, PETRONAS Carigali Sdn Bhd) until April 1991. He was the Managing Director/Chief Executive Officer of Ethylene Malaysia Sdn Bhd and Polyethylene Malaysia Sdn Bhd from May 1991 till May 1996, Managing Director/ Chief Executive Officer of Malaysia LNG Sdn Bhd and MLNG Dua Sdn Bhd, and Project Director of MLNG Tiga Sdn Bhd from June 1996 prior to his appointment as Managing Director/Chief Executive Officer of PETRONAS Gas Bhd in September 1999. He was a member of the PETRONAS Management Committee for 7 years, from July 1996 until his retirement in June 2003.

He is the Editor-in-chief of RESOURCE, the quarterly magazine of the Malaysian Petroleum Club since its initial publication in April 1992. In July 2004, he was appointed as the PETRONAS representative to the Board of Trustees of CARIF (Cancer Research Initiatives Foundation). He has been on the Executive Committee of the Malaysian Oil & Gas Services Council (MOGSC) since May 2006 and Petronas Alumni since October 2009.

He is also the chairman of Resourceful Petroleum Ltd and BJ Services Sdn Bhd.

Mac Chung Jin

Aged 38, Malaysian *(Alternate Director to Ooi Sen Eng)*

Mac Chung Jin was appointed as an Alternate Director to Mr. Ooi Sen Eng of Muhibbah Engineering (M) Bhd on 2nd May 2008. He holds a Bachelor of Civil Engineering Degree from Oxford Brookes University, United Kingdom. He joined Muhibbah Engineering (M) Bhd in 1995 as a Project Engineer and from 1999 has been Head of Business Development, overseeing local and international projects.

Additional Information on Directors

1. Family Relationship with any Director and/or major shareholder of Muhibbah Engineering (M) Bhd

None of the Directors have any relationship with each other and/or major shareholders of Muhibbah Engineering (M) Bhd except Mac Chung Jin and Lim Teik Hin. Mac Chung Jin is the son of Mac Ngan Boon @ Mac Yin Boon, the Managing Director and substantial shareholder of Muhibbah Engineering (M) Bhd whereas Lim Teik Hin is the brother-in-law of Mac Ngan Boon @ Mac Yin Boon.

2. Conflict of interest

None of the Directors have any conflict of interest with the Company.

3. Convictions for Offences within the past 10 years, other than traffic offences

None of the Directors have been convicted for offences.

Additional Compliance Information

1. Utilisation of Proceeds from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year.

2. Share Buy-Backs

The Company did not repurchase any ordinary shares of RM0.50 each of its own shares from the open market of Bursa Malaysia Securities Berhad during the financial year ended 31 December 2011.

3. Options, Warrants or Convertible Securities

(i) ESOS

Details of the employees' share options of the Company are disclosed on page 38 of this Annual Report.

(ii) Warrants

As at 31 December 2011, none of the options under the Warrants were exercised.

4. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

5. Imposition of Sanctions and/or Penalties

During the financial year under review, there were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body.

6. Non-Audit Fees

During the financial year ended 31 December 2011, there were no non-audit fees paid to the external auditors.

7. Variation in Results

There were no significant variations between the audited results for the financial year ended 31 December 2011 and the unaudited results previously announced.

8. Profit Estimate, Forecast or Projection

There was no profit estimate, forecast or projection announced by the Company and its subsidiary companies during the financial year ended 31 December 2011.

9. Profit Guarantee

There were no profit guarantee given/received by the Company during the financial year.

10. Material Contracts

Save for the recurrent related party transactions disclosed under item (12), there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2011 or entered into since the end of the previous financial year ended 31 December 2010.

11. Revaluation Policy on Landed Properties

The Company revalues its freehold and leasehold land every 5 years or shorter interval, whenever the fair value of the land is expected to differ materially from the carrying value.

12. Recurrent Related Party Transactions

At the Annual General Meeting held on 28 June 2011, the Company had obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 6 June 2011. In accordance with Section 3.1.5 of Practice Note No. 12/2001 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2011 pursuant to the shareholders' mandate are disclosed as follows :-

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2011 RM'000
MEB Group and FFB Group	Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Mazlan bin Abdul Hamid	Sales of cranes and parts and rental of cranes, plant and equipment by MEB Group to FFB Group; and subcontracting work awarded by FFB Group to MEB Group	9,496
		Purchases and rental of cranes and parts by MEB Group from FFB Group, and the provision of crane maintenance and services by FFB Group to MEB Group	2,063
		# Rental of office building and factory located at 28, Yarrunga Street, Prestons, NSW 2170, Australia by MEB Group to FFB Group, measuring 11.6 acres	687
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres	254
		# Rental of open yard located at PN 11185, Lot 104505, Telok Gong, District of Klang, Selangor by MEB Group to FFB Group, measuring 32,753.44 sq. ft.	-
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	100
		# Rental of land held under HS(D) 99546 Lot No. 104625 Mukim & District of Klang, State of Selangor measuring in area approximately 160,000 sq. ft. by MEB Group to FFB Group.	1,760

Tenancies are for terms not exceeding 3 years with rentals payable on monthly basis.

Abbreviations

"FFB"	: Favelle Favco Berhad
"FFB Group"	: FFB, its subsidiaries and associated companies collectively
"MEB"	: Muhibbah Engineering (M) Bhd
"MEB Group"	: MEB, its subsidiaries and associated companies collectively

Introduction

The Board of Directors ("the Board") is committed towards ensuring that good Corporate Governance are observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

Board of Directors

Composition and Balance

An experienced Board consisting of members with wide range of business, technical, financial and public service backgrounds, lead and control the Group. This brings insightful depth and diversity to the acute leadership and management of an eminent and evolutionary engineering business.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of nine (9) members, comprising five (5) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non-Independent and Non-Executive Director. As such, more than one third (1/3) of the Board comprises of Independent Non-Executive Directors.

The Board believes that the current composition is appropriate given the nature of business and scale of operations of the Group. Profiles of the Directors are presented on pages 17 to 19 of this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge of and experience in other business sectors.

The roles of the Chairman and Managing Director are separated with a clear division of responsibilities between them to ensure balance of power and authority. The Chairman leads the strategic planning at the Board level, while the Managing Director is responsible for the implementation of the policies laid down and executive decision-making. The current Chairman has never held the post of Managing Director of the Company.

The Independent Non-Executive Directors are of the calibre necessary to provide independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The Board has identified Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor as the Senior Independent Non-Executive Director to whom concerns of the Group may be conveyed.

Board Meetings

Board meetings are held at regular intervals with additional meetings taking place when necessary. During the year, the Board met four (4) times to review the Group's operations, review and approve the quarterly and annual financial statements and other matters requiring the Board's approval. The Company Secretary records all the deliberations, particularly the issues discussed, in reaching that decision in the minutes of Board meetings. Details of the attendance of the Directors are as follows:

Names of Directors	Attendance at Meetings in 2011
Tuan Haji Mohamed Taib bin Ibrahim	4/4
Datuk Zakaria bin Abdul Hamid	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Ooi Sen Eng	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	4/4
Low Ping Lin	4/4
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	3/4
Lim Teik Hin	4/4
Abd Hamid bin Ibrahim	4/4
Mac Chung Jin (Alternate Director to Ooi Sen Eng)	4/4

Supply of Information

Due notice is given to the Directors prior to each Board meeting. Each Director is provided with the agenda and a full set of Board papers providing details on operational, financial, safety and corporate developments prior to each Board meeting with the aim of enabling the Directors to make well-informed decisions at the Board meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretary is available at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures and all applicable rules and regulations are complied with. The Articles of Association of the Company permits the removal of Company Secretary by the Board of Directors as a whole.

In addition, the Directors have authority to access all information within the Company in furtherance of their duties and they are also empowered to seek external independent professional advice at the Company's expense, to enable them to make well-informed decisions.

Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined terms of reference. The final decision on all matters, however, lies with the entire Board.

(i) Audit Committee

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of the Group. This includes reviewing the quarterly financial results and year end financial statements to be disclosed, the scope of works and management letter of the external and internal auditors.

The Audit Committee members consist of all Non-Executive Directors, with a majority being Independent Directors. Tuan Haji Mohamed Taib bin Ibrahim, an Independent Non-Executive Director, is the Chairman of the Audit Committee.

The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role and activities of the Audit Committee is presented on pages 29 to 33 of this Annual Report.

(ii) Nomination Committee

The present members of the Nomination Committee are as follows:

Names of Committee Members	Designation
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Senior Independent Non-Executive Director)*
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	Member *(Independent Non-Executive Director)*

The Nomination Committee met once during the financial year. In accordance with its terms of reference, the Nomination Committee reviewed the Board structure on the designation, roles and responsibilities of the individual Directors of the Company to ensure that the Board has the required mix of skills, experience and other core competencies. All assessments and evaluations carried out by the Nomination Committee are properly documented. The Nomination Committee also reviewed the existing balance, size and composition of the Board of Directors, and recommended appointments of new Directors to the Board. The Nomination Committee recommended to the Board on the Directors who were due for retirement by rotation at the forthcoming Annual General Meeting.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	Designation
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Mac Ngan Boon @ Mac Yin Boon	Member *(Managing Director)*
Ooi Sen Eng	Member *(Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Senior Independent Non-Executive Director)*
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	Member *(Independent Non-Executive Director)*

The Remuneration Committee met once during the financial year. In accordance with its terms of reference, the Remuneration Committee reviewed the remuneration packages and benefits of the Executive Directors to ensure the Company is able to attract high calibre executives to run the Company successfully. Directors do not participate in decisions on their own remuneration. At the same time, the Non-Executive Directors' fees were also reviewed and recommended for Board approval. The individual Non-Executive Directors concerned had abstained from discussion of their own remuneration packages.

Appointments and Re-election
In accordance with the Company's Articles of Association, one third (1/3) of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders in the Annual General Meeting.

Directors who are over 70 years of age are required to submit themselves for re-appointment and re-election annually in accordance with Section 129(2) and Section 129(6) of the Companies Act, 1965.

Directors' Training
All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursa Malaysia Securities Berhad within the stipulated timeframe under the Listing Requirements.

Regular continuing training programmes, courses and seminars are organised for the Directors to help them keep abreast of latest developments in the industry and advances in Corporate Governance.

During the financial year, all Directors have participated in numerous seminars and training programmes on topics relevant to the enhancement of their roles and responsibilities as Directors of the Company. The seminars and training programmes attended include topics relating to corporate governance, risk management, leadership management, financial, taxation and construction.

It is the practice of the Group, whereby, following the appointment of new Directors to the Board, an induction program is arranged to facilitate their understanding of the nature of the business, current issues within the Company, the corporate strategy, the expectations of the Company concerning input from Directors, the general responsibilities of Directors, operations of the Group as well as the products and services offered by the Group. New Directors are also introduced to senior management personnel and taken on visits to the Group's businesses.

Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

	Executive Directors RM	Non Executive Directors RM	Total RM
Fees	192,000	288,000	480,000
Remuneration	3,019,648	109,240	3,128,888
	3,211,648	397,240	3,608,888

The number of Directors in each remuneration band for the financial year 2011 are as follows:

Range of Remuneration	Executive Directors	Non Executive Directors	Total
RM50,001 to RM100,000	-	5	5
RM100,001 to RM150,000	-	1	1
RM550,001 to RM600,000	1	-	1
RM850,001 to RM900,000	3	-	3
	4	6	10

Shareholders

Investors and Shareholders Relationship

The Board recognises the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy have been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and public generally.

The Group is involved in investor relations through investors briefing with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investors briefing.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Malaysia Securities Berhad, the Group maintains a website (www.muhibbah.com) that allows all shareholders to gain access to information and business activities and recent developments of the Group and for feedback.

Annual General Meeting

The Annual General Meeting is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting.

Accountability and Audit

Financial Reporting and Statement of Directors' Responsibility

The Directors are responsible to ensure that the financial statements are drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

The Board is responsible for ensuring that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of operations, changes in equity and cash flows of the Group and the Company for the financial year.

In preparation of the financial statements, the Board has ensured that:

i) Suitable accounting policies have been adopted and applied consistently;

ii) Judgements and statements made are reasonable and prudent; and

iii) Financial statements have been prepared on a going concern basis.

The Audit Committee assists the Board by overseeing that financial reporting reflects the substance of the business and transactions apart from being compliant with relevant standards and legislation.

The Board is responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure the financial statements comply with the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

Relationship with the Auditors

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views in issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of executive board members and management, at least twice a year.

Risk Management Framework and Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls and reviewing its effectiveness regularly via the Internal Audit Department which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group.

A Statement on Internal Control outlining the internal controls within the Group is presented on page 34 of this Annual Report.

Recurring Related Party Transactions

The Board, through the Audit Committee, reviews all recurring related party transactions.

All recurring related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurring related party transactions.

Compliance Statement

The Company has applied the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance to the extent as set out above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 15 May 2012.

Membership and Meetings

Details of the membership of the Audit Committee and attendance of meetings are as follows:

Names of Committee Members	**Designation**	**Attendance at Meetings in 2011**
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Senior Independent Non-Executive Director)*	4/4
Datuk Zakaria bin Abdul Hamid	Member *(Independent Non-Executive Director)*	4/4
Lim Teik Hin	Member *(Non-Independent and Non-Executive Director)*	4/4

The Audit Committee comprises of all Non-Executive Directors, with a majority being Independent Directors. Mr. Lim Teik Hin is a member of the Malaysian Institute of Accountants and CPA Australia.

The Audit Committee held four (4) meetings during the financial year ended 31 December 2011. The Group's Chief Financial Officer and the Group's Internal Audit Manager attended all meetings. Other Board members and senior management attended some of the meetings upon invitation by the Chairman of the Audit Committee. The Group's external auditors attended two (2) meetings during the year.

The Chairman of the Audit Committee undertakes a continuing process of engagement with the Senior Executives of the Company as well as the external auditors so that the Audit Committee is kept up-to-date with all important issues affecting the Company.

During the year, the Audit Committee members have attended conferences, seminars and training programmes which are relevant to their roles and responsibilities.

Summary of Activities

During the year, the Audit Committee carried out its duties as set out in the terms of reference. These include:

(i) Reviewing the quarterly results and year end financial statements before submission to the Board of Directors for consideration and approval for announcement to Bursa Malaysia Securities Berhad.

(ii) Reviewing with external auditors, the result of the annual audit and the audit report including the Management response to the findings of the external auditors.

(iii) Reviewing the adequacy and relevance of the scope of work and functions of the external auditors and making recommendations to the Board on the appointment of the external auditors and the determination of the audit fees.

(iv) Reviewing with the Internal Audit Department the adequacy and relevance of the scope, function and risk based on audit plan and results of the internal audit processes.

Summary of Activities (continued)

(v) Reviewing and discussing the internal audit status report and considering whether or not appropriate action had been taken on the recommendations of the internal audit function.

(vi) Verifying the allocation of the Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with criteria set out in the ESOS Bye-Laws of the Company.

Internal Audit Function

The Group has a well-established Internal Audit Department, which reports directly to the Audit Committee and assists the Board in monitoring and managing risks and internal control. The department carries out its duties impartially and independently of the activities reviewed. It has the principal responsibility of carrying out audits on the operations within the Group and provides general assurances to the management and Audit Committee. The internal audit reports highlighting any deficiencies or findings are discussed with management and the relevant action plans are agreed upon and implemented. Significant findings are presented in the Audit Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented. The total cost incurred for the internal audit function in respect of the financial year amounted to approximately RM171,000.

In addition, the Internal Audit Department also provides the necessary assistance and manpower for any special assignments or investigations requested by the management from time to time, with the approval of the Audit Committee.

The Group has implemented a structured risk assessment and management framework on the operations. The implementation of this framework and monitoring process also forms the basis for continually improving the risk management process in the context of the Group's overall objectives. The Internal Audit Department is continuously facilitating the exercise for all the business units within the Group and advising the Risk Management Committee on the internal controls to better manage the risks identified.

Other main activities performed by the Internal Audit Department are as follows:
- Site visits, inspections and reviews;
- Assess and advise on the Group's Corporate Governance practices and compliances.

Terms of Reference

Objectives
The principal objective of the Audit Committee is to assist the Board of Directors in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of Muhibbah Engineering (M) Bhd and its subsidiaries.

In addition, the Audit Committee shall:
- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information provided by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the adequacy of the Company's internal control system.

Membership

The Board shall appoint the Audit Committee comprising at least three (3) directors, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman of the Committee, who is an Independent Director, shall be appointed by the members of the Audit Committee. No alternate Director can be a member of the Audit Committee.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or have similar qualifications as prescribed in Part I or Part II of the First Schedule of the Accountants Act, 1967 or fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced to two (2), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to fill the vacancy.

Attendance at Meetings

The Audit Committee shall hold at least two (2) regular meetings per year and such additional meeting as the Chairman shall decide in order to fulfil its duties.

The quorum for each meeting shall be two (2) members where a majority of the members present must be Independent Directors.

The Company Secretary shall act as Secretary of the Audit Committee.

The Audit Committee may invite any person to be in attendance at any particular Audit Committee meeting to assist it in its deliberations.

Authority

The Audit Committee is authorised by the Board:

- to investigate any matter within its terms of reference;
- to have the resources which are required to perform its duties;
- to have full and unrestricted access to any information pertaining to the Company;
- to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- to be able to obtain independent professional or other advice;
- to be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, wherever deemed necessary.

Duties

The duties and scope of work of the Audit Committee shall be:

1. To review the following and report the same to the Board of Directors:

    - with the external auditors, the audit plan, their evaluation of the system of internal controls and the audit reports on the financial statements.
    - the assistance given by the employees to the external auditors.
    - the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
    - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
    - the quarterly results and year end financial statements before submission to the Board of Directors for approval, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements.
    - any related party transactions and conflict of interest situations that may arise within the Group or Company including any transaction, procedure or course of conduct that raises questions of management integrity.
    - the appointment of the external auditors and audit fees, and any questions of resignation or dismissal.

2. To recommend the nomination of a person or persons as External Auditors.

3. To ensure that the Audit Committee Report is prepared at the end of each financial year for inclusion in the Annual Report of the Company. The Audit Committee Report shall comprise:

    - the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise).
    - the terms of reference of the Audit Committee.
    - the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
    - a summary of the activities of the Audit Committee in the discharge of functions and duties for that financial year of the Company.
    - a summary of the activities of the internal audit function or activity.

4. To verify, on a yearly basis, the allocation of options under a share option scheme for employees to ensure compliance with the allocation criteria determined by the Company's share option committee and in accordance with the bye-laws of the relevant option scheme.

5. To promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board of Directors which have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.

Proceedings of the Audit Committee

Calling of meetings
The members may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, provided that they shall have a minimum of two (2) meetings in a financial year. The Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

Notice of meeting
Notice of a meeting of the Audit Committee shall be given to all the members in writing via facsimile, hand delivery or by courier service. Unless otherwise determined by the Audit Committee from time to time, seven (7) days' notice shall be given, except in the case of an emergency where shorter notice may be given.

Voting and proceeding of meeting
The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

Keeping of minutes
The members shall cause minutes to be made of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Custody, production and inspection of minutes
The minutes of meetings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be opened to the inspection of any member of the Committee or any member of the Board of Directors.

Review of Audit Committee
The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Statement on Internal Control

The Board acknowledges its responsibility for maintaining a system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. The system of internal control covers not only financial controls but operational and compliance controls and risk management.

The key processes of the Group's internal control system include the following:

- Documented delegation of authority limits have been established for all aspects of the businesses. These delegations of responsibilities and authority limits are subject to review when deemed necessary;

- Policies, objectives, quality procedures and environmental procedures for key business processes are formalised and documented in quality and environmental manuals. The Corporate Environment & Quality Assurance Department conducts half yearly Internal Quality Audits and Internal Environmental Audits and checked that operational processes are in accordance with the ISO 9001 : 2000 Quality Management System and ISO 14001 : 2004 Environmental Management System respectively;

- The Internal Audit Department provides the Audit Committee with reviews of processes, risk exposures (through Enterprise Risk Management) and system of internal controls of the Group. The Internal Audit Department carried out audits based on audit plans approved by the Audit Committee;

- Subsequent follow-up reviews on recommendations and outstanding issues are conducted by the Internal Audit Department and reported to the Audit Committee to ensure that recommendations have been implemented and issues resolved accordingly;

- The preparation and submission of monthly management accounts and other information (i.e. financial performance) to management for review, monitoring and reporting purposes;

- The issuance of a Risk Management Policies and Procedures Manual which outlines the risk management framework for the Group offers practical guidance to all employees on risk management guidelines and processes;

- Submission of risk management reports to the Risk Management Units for reporting to the Group Risk Management Committee; and

- A consolidated risk profile of the Group together with a summary of key risks and actions to mitigate these risks is discussed in the Risk Management Committee meetings before being submitted to the Board for consideration.

The Board is continuing its on-going process of identifying, assessing and managing key business, operational and financial risks faced by its business units. The Group is progressively developing risk management practice in significant subsidiaries.

The Board has overall responsibility for the Group's system of internal control, which aims to:

- safeguard shareholders' investments and the Group's assets;
- ensure that proper accounting records are maintained; and
- ensure that the financial information used within the business and for publication is reliable.

The internal control system is also designed to provide reasonable assurance of the effective operations of the Group. The internal control system also takes into consideration compliance with applicable laws and regulations. It is recognised, however that any system of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board through the Audit Committee has reviewed the effectiveness of the Group's system of internal control. The Board is of the view that there were no significant breakdown or weakness in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2011. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

Financial Statements

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2011.

Principal activities

The Company is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries are involved in design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for oil and gas industry. The associates are mainly involved in international airports concessions in Cambodia and road maintenance concessions in Malaysia. The main business segments of the Group are stated in Note 27 to the financial statements. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There have been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Owners of the Company	63,772	21,060
Non-controlling interests	18,760	-
Profit for the year	82,532	21,060

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary dividend of 7% (3.50 sen) per ordinary share of RM0.50 each less tax of 25% totalling RM10,666,000 in respect of the financial year ended 31 December 2010.

The first and final dividend recommended by the Directors in respect of the financial year ended 31 December 2011 is 10% (5.00 sen) per ordinary share of RM0.50 each less tax of 25% totalling RM15,241,000 and is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Tuan Haji Mohamed Taib bin Ibrahim
Mac Ngan Boon @ Mac Yin Boon
Ooi Sen Eng
Low Ping Lin
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Datuk Zakaria bin Abdul Hamid
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar
Lim Teik Hin
Abd Hamid bin Ibrahim
Mac Chung Jin (alternate to Ooi Sen Eng)

Directors' interests

The direct interests in the shares and employees' share options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2011	Alloted/ Bought	Sold	At 31.12.2011
Interests in the Company:				
Tuan Haji Mohamed Taib bin Ibrahim	7,543,392	-	-	7,543,392
Mac Ngan Boon @ Mac Yin Boon	68,808,916	1,832,500	-	70,641,416
Ooi Sen Eng	12,545,066	900,000	(400,000)	13,045,066
Low Ping Lin	2,955,000	832,500	(737,000)	3,050,500
Mac Chung Jin	4,595,000	665,000	(50,000)	5,210,000
Datuk Zakaria bin Abdul Hamid	16,000	-	-	16,000

The options granted to eligible Directors over unissued ordinary shares of the Company pursuant to the Employees' Share Option Scheme are set out below:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2011	Granted	Exercised	At 31.12.2011
Mac Ngan Boon @ Mac Yin Boon	1,832,500	2,780,000	(1,832,500)	2,780,000
Ooi Sen Eng	900,000	2,500,000	(900,000)	2,500,000
Low Ping Lin	832,500	2,500,000	(832,500)	2,500,000
Mac Chung Jin *(alternate to Ooi Sen Eng)*	665,000	2,000,000	(665,000)	2,000,000

By virtue of their interest in shares of the Company, those Directors with shareholdings more than 15% are also deemed to have interests in the shares of all the subsidiaries during the financial year to the extent that Muhibbah Engineering (M) Bhd. has an interest.

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2011 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements of the Company or the fixed salary of a full time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to arise from transaction entered into in the ordinary course of business with companies in which certain directors have substantial financial interest as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate apart from certain Directors' entitlement to subscribe for new ordinary shares of the Company under the Employees' Share Option Scheme.

Issue of shares and debentures

The movement of share capital is disclosed in Note 15 to the financial statements.

The Company has not issued any debentures during the financial year.

Treasury shares

The treasury shares are disclosed in Note 16 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the Employees' Share Option Scheme.

In 2011, a new employees' share option scheme ("New ESOS Scheme") was established and approved by the shareholders of the Company at an extraordinary general meeting ("EGM") held on 28 June 2011. The former employees' share option scheme ("Former ESOS Scheme") which was previously established and approved by the shareholders of the Company at the EGM held on 26 June 2006, had expired on 2 August 2011. The expired Former ESOS Scheme was replaced by the approved New ESOS Scheme. The main features of the ESOS, details of share options offered and exercised during the financial year are disclosed in Note 25.

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of options holders, other than Directors, who have been granted options representing 1,000,000 ordinary shares of RM0.50 each and below under the ESOS Scheme. The option holders who have been granted options representing more than 1,000,000 ordinary shares of RM0.50 each are as follows:-

	Number of options over ordinary shares of RM0.50 each			
	Balance at 1.1.2011	**Granted**	**Exercised**	**Balance at 31.12.2011**
Chong Lai Keong	-	1,500,000	-	1,500,000
Lee Poh Kwee	2,000,000	2,000,000	(2,000,000)	2,000,000
Tan Bin Tat	500,000	1,500,000	(500,000)	1,500,000
Tan Chin Guan	500,000	1,500,000	(500,000)	1,500,000
Ooi Kien Chuan	-	1,000,000	-	1,000,000

Other statutory information

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts had been written off and adequate allowance had been made for impairment losses on receivables, and

ii) all current assets have been stated at the lower of cost and net realisable value.

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of allowance for impairment losses on receivables in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs Crowe Horwath, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Mac Ngan Boon @ Mac Yin Boon	**Low Ping Lin**

Klang,

Date: 23 April 2012

Statements of financial position at 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Assets					
Property, plant and equipment	3	**764,381**	623,099	**239,975**	148,011
Investment properties	4	**516**	532	**20,010**	20,196
Investments in subsidiaries	5	**-**	-	**196,162**	196,522
Investments in associates	6	**141,853**	135,817	**8,424**	8,424
Receivables, deposits and prepayments	7	**-**	-	**10,000**	10,000
Goodwill on consolidation	8	**-**	14,400	**-**	-
Deferred tax assets	9	**2,391**	2,660	**-**	-
Other non-current assets	10	**17,807**	27,754	**9**	9
Total non-current assets		**926,948**	804,262	**474,580**	383,162
Receivables, deposits and prepayments	7	**891,074**	896,562	**890,943**	1,001,740
Amount due from contract customers	11	**536,876**	583,071	**330,470**	237,157
Inventories	12	**202,965**	179,118	**-**	-
Current tax assets		**1,381**	3,374	**498**	693
Derivative assets	13	**6,438**	41,312	**3,449**	31,401
Cash and cash equivalents	14	**323,241**	201,106	**75,502**	23,073
Total current assets		**1,961,975**	1,904,543	**1,300,862**	1,294,064
Total assets		**2,888,923**	2,708,805	**1,775,442**	1,677,226

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Equity					
Share capital	15	**204,107**	199,196	**204,107**	199,196
Reserves	16	**311,286**	252,318	**101,706**	89,099
Total equity attributable to owners of the Company		**515,393**	451,514	**305,813**	288,295
Non-controlling interests		**124,583**	107,551	**-**	-
Total equity		**639,976**	559,065	**305,813**	288,295
Liabilities					
Loans and borrowings	17	**234,264**	264,154	**161,242**	171,377
Payables and accruals	18	**14,970**	15,324	**-**	-
Deferred tax liabilities	9	**46,492**	48,240	8,516	8,516
Total non-current liabilities		**295,726**	327,718	**169,758**	179,893
Provisions, payables and accruals	18	**739,558**	807,191	**471,357**	521,149
Amount due to contract customers	11	**289,936**	278,022	**78,054**	52,868
Bills payable	19	**698,705**	540,596	**577,693**	501,516
Derivative liabilities	13	**-**	3,509	**-**	-
Loans and borrowings	17	**215,523**	182,069	**172,767**	132,948
Current tax liabilities		**9,499**	10,635	**-**	557
Total current liabilities		**1,953,221**	1,822,022	**1,299,871**	1,209,038
Total liabilities		**2,248,947**	2,149,740	**1,469,629**	1,388,931
Total equity and liabilities		**2,888,923**	2,708,805	**1,775,442**	1,677,226

The notes on pages 52 to 127 are an integral part of these financial statements.

Statements of comprehensive income for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	20	**2,026,366**	1,768,884	**1,178,063**	740,799
Cost of sales		**(1,823,366)**	(1,604,173)	**(1,113,626)**	(712,503)
Gross profit		**203,000**	164,711	**64,437**	28,296
Other income		**18,842**	11,670	**5,671**	6,194
Distribution costs		**(14,259)**	(12,632)	**(1,592)**	(1,168)
Administrative expenses		**(92,686)**	(92,280)	**(15,171)**	(13,111)
Other expenses		**(14,400)**	(35,249)	**2,824**	(12,978)
Results from operating activities		**100,497**	36,220	**56,169**	7,233
Interest income		**11,185**	6,156	**3,245**	3,191
Finance costs		**(28,333)**	(15,726)	**(36,162)**	(7,712)
Operating profit	21	**83,349**	26,650	**23,252**	2,712
Share of profit after tax and minority interest of equity accounted associates		**28,367**	26,627	**-**	-
Profit before tax		**111,716**	53,277	**23,252**	2,712
Income tax (expense)/benefits	23	**(29,184)**	(6,993)	**(2,192)**	12,996
Profit for the year		**82,532**	46,284	**21,060**	15,708
Other comprehensive income					
Foreign currency translation differences for foreign operations		**3,283**	(18,244)	**-**	(1,462)
Movement in revaluation of property, plant and equipment, net of tax		**-**	88,738	**-**	25,546
Other comprehensive income for the year		**3,283**	70,494	**-**	24,084
Total comprehensive income for the year		**85,815**	116,778	**21,060**	39,792

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit attributable to:					
Owners of the Company		**63,772**	32,944	**21,060**	15,708
Non-controlling interests		**18,760**	13,340	**-**	-
Profit for the year		**82,532**	46,284	**21,060**	15,708
Total comprehensive income attributable to:					
Owners of the Company		**67,112**	106,011	**21,060**	39,792
Non-controlling interests		**18,703**	10,767	**-**	-
Total comprehensive income for the year		**85,815**	116,778	**21,060**	39,792
Earnings per ordinary share (sen)					
- Basic	24	**15.85**	8.32		
- Diluted	24	**15.41**	8.22		

The notes on pages 52 to 127 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2011

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling interests RM'000	Total equity RM'000
		/------Attributable to owners of the Company								------/			
		/------ Non-distributable							------/	Distributable			
At 1 January 2010, as previously stated		198,685	(5,561)	3,174	-	27,980	1,612	4,956	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)	3,174	-	27,980	1,612	4,956	14,405	180,298	425,549	101,504	527,053
Effect of adopting of FRS 139		-	-	-	-	-	-	-	-	(75,522)	(75,522)	(5,551)	(81,073)
At 1 January 2010, restated		198,685	(5,561)	3,174	-	27,980	1,612	4,956	14,405	104,776	350,027	95,953	445,980
Other comprehensive income:													
- Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	(15,671)	-	(15,671)	(2,573)	(18,244)
- Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	88,738	-	-	-	-	88,738	-	88,738
Profit for the year		-	-	-	-	-	-	-	-	32,944	32,944	13,340	46,284
Total comprehensive income		-	-	-	-	88,738	-	-	(15,671)	32,944	106,011	10,767	116,778
Share-based payment	25	-	-	-	-	-	-	100	-	-	100	61	161
Share option exercised	15	511	-	10	-	-	-	-	-	-	521	2,644	3,165
Transfer to share premium for share option exercised		-	-	700	-	-	-	(700)	-	-	-	-	-
Issuance of warrants		-	-	-	2,280	-	-	-	-	-	2,280	-	2,280
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	-	-	1,280	1,280
Dividend to owner of the Company	26	-	-	-	-	-	-	-	-	(7,425)	(7,425)	-	(7,425)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(3,154)	(3,154)
Total transactions with owners		511	-	710	2,280	-	-	(600)	-	(7,425)	(4,524)	831	(3,693)
At 31 December 2010		199,196	(5,561)	3,884	2,280	116,718	1,612	4,356	(1,266)	130,295	451,514	107,551	559,065
		/------ Note 16								------/			

Consolidated statement of changes in equity for the year ended 31 December 2011 (cont'd)

Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-Controlling interests RM'000	Total equity RM'000
		/------Attributable to owners of the Company								------/			
		/------ Non-distributable							------/	Distributable			
At 1 January 2011		199,196	(5,561)	3,884	2,280	116,718	1,612	4,356	(1,266)	130,295	451,514	107,551	559,065
Other comprehensive income:													
- Foreign currency translation differences for foreign operations		-	-	-	-	-	-	-	3,340	-	3,340	(57)	3,283
Profit for the year		-	-	-	-	-	-	-	-	63,772	63,772	18,760	82,532
Total comprehensive income		-	-	-	-	-	-	-	3,340	63,772	67,112	18,703	85,815
Share-based payment	25	-	-	-	-	-	-	2,424	-	-	2,424	246	2,670
Share option exercised	15	4,911	-	98	-	-	-	-	-	-	5,009	1,297	6,306
Share option forfeited		-	-	-	-	-	-	(1,605)	-	1,605	-	-	-
Transfer to share premium for share option exercised		-	-	2,148	-	-	-	(2,148)	-	-	-	-	-
Transfer to capital redemption reserve pursuant to redemption of preference shares		-	-	-	-	-	625	-	-	(625)	-	-	-
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	3,576	3,576
Acquisition of non-controlling interest		-	-	-	-	-	-	-	-	-	-	(1,572)	(1,572)
Premium on redemption of preference shares of subsidiary		-	-	-	-	-	-	-	-	-	-	(429)	(429)
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	-	-	372	372
Dividend to owner of the Company	26	-	-	-	-	-	-	-	-	(10,666)	(10,666)	-	(10,666)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(5,161)	(5,161)
Total transactions with owners		4,911	-	2,246	-	-	625	(1,329)	-	(9,686)	(3,233)	(1,671)	(4,904)
At 31 December 2011		204,107	(5,561)	6,130	2,280	116,718	2,237	3,027	2,074	184,381	515,393	124,583	639,976
		/------				Note 16				------/			

The notes on pages 52 to 127 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2011

		/------------ Non-distributable						------------/	Distributable	
Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Warrant reserve RM'000	Revaluation reserve RM'000	Share options reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2010, as previously stated		198,685	(5,561)	3,031	-	764	3,377	1,766	139,904	341,966
Rectification of brought forward realised foreign exchange difference previously included in work-in-progress		-	-	-	-	-	-	-	(24,639)	(24,639)
		198,685	(5,561)	3,031	-	764	3,377	1,766	115,265	317,327
Effect of adopting of FRS 139		-	-	-	-	-	-	-	(64,226)	(64,226)
At 1 January 2010, restated		198,685	(5,561)	3,031	-	764	3,377	1,766	51,039	253,101
Other comprehensive income:										
- Foreign currency translation differences for foreign operations		-	-	-	-	-	-	(1,462)	-	(1,462)
- Movement in revaluation of property, plant and equipment, net of tax		-	-	-	-	25,546	-	-	-	25,546
Profit for the year		-	-	-	-	-	-	-	15,708	15,708
Total comprehensive income		-	-	-	-	25,546	-	(1,462)	15,708	39,792
Share-based payment	25	-	-	-	-	-	26	-	-	26
Share option exercised	15	511	-	10	-	-	-	-	-	521
Transfer to share premium for share option exercised		-	-	194	-	-	(194)	-	-	-
Issuance of warrants		-	-	-	2,280	-	-	-	-	2,280
Dividend to owner of the Company	26	-	-	-	-	-	-	-	(7,425)	(7,425)
Total transactions with owners		511	-	204	2,280	-	(168)	-	(7,425)	(4,598)
At 31 December 2010		199,196	(5,561)	3,235	2,280	26,310	3,209	304	59,322	288,295

/------------------------Note 16------------------------/

Statement of changes in equity for the year ended 31 December 2011 (cont'd)

		/----- *Non-distributable*					-----/	*Distributable*	
Company	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Revaluation reserve RM'000**	**Share options reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2011		199,196	(5,561)	3,235	2,280	26,310	3,209	304	59,322	288,295
Profit for the year/ Total comprehensive income for the year		-	-	-	-	-	-	-	21,060	21,060
Share-based payment	25	-	-	-	-	-	2,115	-	-	2,115
Share option exercised	15	4,911	-	98	-	-	-	-	-	5,009
Transfer to share premium for share option exercised		-	-	1,898	-	-	(1,898)	-	-	-
Share options forfeited		-	-	-	-	-	(1,311)	-	1,311	-
Dividend to owner of the Company	26	-	-	-	-	-	-	-	(10,666)	(10,666)
Total transactions with owners		4,911	-	1,996	-	-	(1,094)	-	(9,355)	(3,542)
At 31 December 2011		204,107	(5,561)	5,231	2,280	26,310	2,115	304	71,027	305,813
		/-----				Note 16			-----/	

The notes on pages 52 to 127 are an integral part of these financial statements.

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Cash flows from operating activities				
Profit before tax	**111,716**	53,277	**23,252**	2,712
Adjustments for:				
Write-down of inventories	**1,302**	1,852	**-**	-
Amortisation of development costs	**1,471**	2,024	**-**	-
Amortisation of land held for development	**35**	46	**-**	-
Bad debts written off	**325**	55	**-**	-
Bad debts recovered	**(256)**	(100)	**-**	-
Depreciation of investment properties	**16**	19	**186**	186
Depreciation of property, plant and equipment	**39,731**	31,059	**20,876**	13,333
Dividend income	**-**	-	**(84,904)**	(72,036)
Development costs written off	**7,819**	-	**-**	-
Fair value adjustment on derivative instruments	**31,365**	(17,521)	**27,952**	(16,492)
Finance costs	**46,102**	34,506	**44,467**	16,319
(Gain)/Loss on disposal of property, plant and equipment	**(1,024)**	153	**(405)**	547
Impairment loss on goodwill	**14,400**	7,200	**-**	-
Impairment loss on property, plant and equipment	**-**	14,734	**-**	-
Impairment loss on receivables	**20,749**	14,884	**12,882**	12,973
Reversal of impairment loss on receivables	**(14,081)**	(2,432)	**(11,388)**	-
Reversal of impairment loss on investment in subsidiaries	**-**	-	**(4,319)**	-
Impairment loss on development costs	**7,805**	-	**-**	-
Interest income	**(11,185)**	(23,881)	**(9,302)**	(20,916)
Inventories written off	**3,680**	8	**-**	-
Property, plant and equipment written off	**579**	1,125	**-**	-
Premium on redemption of preference shares of subsidiary	**(429)**	-	**(875)**	-
Provision for warranties	**5,681**	4,199	**-**	-

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Reversal of impairment loss on other investment		**(22)**	(18)	**-**	-
Reversal of provision for warranties		**(9,163)**	(6,604)	**(3,752)**	-
Share based payments		**2,670**	161	**2,115**	26
Share of profit of associates		**(28,367)**	(26,627)	**-**	-
Operating profit/(loss) before changes in working capital (continued)		**230,919**	88,119	**16,785**	(63,348)
Receivables, deposits and prepayments		**3,842**	49,056	**95,906**	(189,366)
Inventories		**(28,829)**	19,188	**-**	-
Payables and accruals		**(64,580)**	(50,164)	**(48,080)**	(154,196)
Amount due to/(from) contract customers		**58,109**	(345,191)	**(68,127)**	(32,424)
Cash generated from/(used in) operations		**199,461**	(238,992)	**(3,516)**	(439,334)
Income taxes paid		**(29,934)**	(24,397)	**(2,554)**	(1,691)
Income taxes refund		**131**	3,513	**-**	2,970
Net cash generated from/(used in) operating activities		**169,658**	(259,876)	**(6,070)**	(438,055)
Cash flows from investing activities					
Additions to development expenditure		**(6,269)**	(6,771)	**-**	-
Dividend received from:					
- subsidiaries		**-**	-	**71,171**	59,353
- associates		**23,741**	19,381	**13,733**	12,683
Investment in associates		**(223)**	(11,566)	**-**	-
Interest received		**4,438**	3,182	**3,245**	3,191
Proceeds from disposal of property, plant and equipment		**14,111**	14,582	**1,109**	17,774
Purchase of property, plant and equipment	(i)	**(191,822)**	(38,639)	**(113,544)**	(4,954)
Purchase of other non-current assets		**(500)**	(6)	**-**	-
Acquisition of non-controlling interest net of cash acquired		**(1,572)**	-	**(1,572)**	(3,512)
Proceeds from redemption of preference shares		**-**	-	**7,125**	-
Acquisition of subsidiary, net cash inflow		**3,576**	-	**-**	-
Net cash (used in)/generated from investing activities		**(154,520)**	(19,837)	**(18,733)**	84,535

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash flows from financing activities					
Dividend paid to owners of the Company		**(10,666)**	(7,425)	**(10,666)**	(7,425)
Dividends paid to non-controlling interests		**(5,161)**	(3,154)	**-**	-
Interest paid		**(43,469)**	(34,506)	**(22,970)**	(16,319)
Proceeds from exercise of share option		**5,009**	521	**5,009**	521
Proceeds from issuance of shares to non-controlling interests of a subsidiary		**1,297**	2,644	**-**	-
Proceeds from allotment of warrants		**-**	2,280	**-**	2,280
Net drawdown of loans and borrowings		**163,030**	257,628	**104,513**	371,346
Net cash generated from financing activities		**110,040**	217,988	**75,886**	350,403
Exchange differences on translation of the financial statements of foreign operations		**(1,686)**	6,825	**-**	(1,462)
Net increase/(decrease) in cash and cash equivalents		**123,492**	(54,900)	**51,083**	(4,579)
Cash and cash equivalents at beginning of year		**192,342**	247,242	**22,896**	27,475
Cash and cash equivalents at end of year	(ii)	**315,834**	192,342	**73,979**	22,896

(i) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM191,822,000 (2010 - RM38,712,000) and RM113,544,000 (2010 - RM4,954,000) respectively, of which Nil (2010 - RM73,000) of the Group and Nil (2010 - Nil) of the Company were acquired by means of hire purchase payables.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statement of financial position amounts:

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	14	**225,008**	153,958	**64,533**	19,410
Deposits placed with licensed banks	14	**98,233**	47,148	**10,969**	3,663
Bank overdrafts	17	**(7,407)**	(8,764)	**(1,523)**	(177)
		315,834	192,342	**73,979**	22,896

The notes on pages 52 to 127 are an integral part of these financial statements.

Muhibbah Engineering (M) Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements as at and for the year ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and joint ventures. The financial statements of the Company as at and for the year ended 31 December 2011 do not include other entities.

The Company is principally engaged in the provision of oil and gas, marine, infrastructure, civil and structural engineering contract works. The subsidiaries are involved in design, manufacture, commission, repair, maintenance and customisation of cranes, offshore supply vessels and anchor handling tugboats for oil and gas industry. The associates are mainly involved in international airports concessions in Cambodia and road maintenance concessions in Malaysia. The main business segments of the Group are stated in Note 27 to the financial statements. The principal activities of its subsidiaries are as stated in Note 5.

The financial statements were authorised for issue by the Board of Directors on 23 April 2012.

1. Basis of preparation

(a) Statement of compliance

These financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 December 2012.

This would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2011 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ending 31 December 2011 in accordance with MFRS which would form the MFRS comparatives for the quarter ending 31 March 2012 and financial year ending 31 December 2012 respectively.

The MFRSs and IC Interpretations expected to be adopted are as follows:

MFRSs, Interpretations	*Effective date*
• MFRS 1 *First-time Adoption of Financial Reporting Standards*	1 January 2012
• MFRS 2 *Share-based Payment*	1 January 2012
• MFRS 3 *Business Combination*	1 January 2012
• MFRS 4 *Insurance Contracts*	1 January 2012
• MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2012
• MFRS 6 *Exploration for and Evaluation of Mineral Resources*	1 January 2012

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations	***Effective date***
• MFRS 7 *Financial Instruments: Disclosures*	1 January 2013
• MFRS 8 *Operating Segments*	1 January 2013
• MFRS 9 *Financial Instruments*	1 January 2013
• MFRS 10 *Consolidated Financial Statements*	1 January 2013
• MFRS 11 *Joint Arrangements*	1 January 2013
• MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
• MFRS 13 *Fair Value Measurement*	1 January 2013
• MFRS 101 *Presentation of Financial Statements*	1 January 2012
• Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
• MFRS 102 *Inventories*	1 January 2012
• MFRS 107 *Statement of Cash Flows*	1 January 2012
• MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2012
• MFRS 110 *Events After the Reporting Period*	1 January 2012
• MFRS 111 *Construction Contarcts*	1 January 2012
• MFRS 112 *Income Taxes*	1 January 2012
• MFRS 116 *Property, Plant and Equipment*	1 January 2012
• MFRS 117 *Leases*	1 January 2012
• MFRS 118 *Revenue*	1 January 2012
• MFRS 119 *Employee Benefits*	1 January 2012
• MFRS 119 *Employee Benefits (revised)*	1 January 2013
• MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*	1 January 2012
• MFRS 121 *The Effects of Changes in Foreign Exchange Rates*	1 January 2012
• MFRS 123 *Borrowing Costs*	1 January 2012
• MFRS 124 *Related Party Dislcosures*	1 January 2012
• MFRS 126 *Accounting and Reporting by Retirement Benefit Plans*	1 January 2012
• MFRS 127 *Separate Financial Statements*	1 January 2013
• MFRS 128 *Investments in Associates*	1 January 2012
• MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
• MFRS 129 *Financial Reporting in Hyperinflationary Economies*	1 January 2012
• MFRS 131 *Interests in Joint Ventures*	1 January 2012
• MFRS 132 *Financial Instruments: Presentation*	1 January 2012
• MFRS 133 *Earnings Per Share*	1 January 2012
• MFRS 134 *Interim Financial Reporting*	1 January 2012
• MFRS 136 *Impairment of Assets*	1 January 2012
• MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2012
• MFRS 138 *Intangible Assets*	1 January 2012
• MFRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2012

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations	***Effective date***
• MFRS 140 *Investment Property*	1 January 2012
• MFRS 141 *Agriculture*	1 January 2012
• Improvements to MFRSs	1 January 2012
• IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 January 2012
• IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*	1 January 2012
• IC Interpretation 4 *Determining Whether an Arrangement Contains a Lease*	1 January 2012
• IC Interpretation 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 January 2012
• IC Interpretation 6 *Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment*	1 January 2012
• IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies*	1 January 2012
• IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2012
• IC Interpretation 10 *Interim Financial Reporting and Impairment*	1 January 2012
• IC Interpretation 12 *Service Concession Arrangements*	1 January 2012
• IC Interpretation 13 *Customer Loyalty Programmes*	1 January 2012
• IC Interpretation 14 *MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2012
• IC Interpretation 15 *Agreements for the Construction of Real Estate*	1 January 2012
• IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 January 2013
• IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 January 2012
• IC Interpretation 18 *Transfers of Assets from Customers*	1 January 2012
• IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 January 2012
• IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• IC Interpretation 107 *Introduction of the Euro*	1 January 2012
• IC Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*	1 January 2012
• IC Interpretation 112 *Consolidation – Special Purpose Entities*	1 January 2012
• IC Interpretation 113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*	1 January 2012
• IC Interpretation 115 *Operating Leases – Incentives*	1 January 2012
• IC Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*	1 January 2012
• IC Interpretation 129 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	1 January 2012
• IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*	1 January 2012
• IC Interpretation 132 *Intangible Assets – Web Site Costs*	1 January 2012

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

Technical Release 3 *Guidance on Disclosures of Transition to IFRSs* ('TR 3') provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. However, the Group is in the process of preparing the opening statement of financial statements and is only able to assess the potential impact as follows:

(i) FRS 116 contains an additional disclosure to require an entity to disclose if it had applied the transitional provision provided by the MASB when FRS 116 was first adopted in 1998. The said transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 116 does not have similar requirements for such a transition.

(ii) FRS 117 contains two transitional provisions, one of which is in relation to the transition from MASB 10 *Leases* to FRS 117:

(a) An entity that had previously classified its leasehold land as property, plant and equipment shall reclassify the unamortised carrying amount as operating lease.

If the entity had previously revalued such leasehold land, the entity shall retain the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments.

However, MFRS 117 does not have this transitional provision as the requirement to treat leasehold land as operating lease was already prescribed in IAS 17 Leases.

(b) An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 Accounting Policies, Changes in Estimates and Errors when it first applied the revised Standard.

However, MFRS 117 does not have similar requirements for such a transition.

(iii) FRS 121 mandates the use of Ringgit Malaysia as the presentation currency in accordance with the Companies Act, 1965. However, MFRS 121 does not have such a similar requirement.

(iv) FRS 139 contains three transitional provisions, namely:

(a) Transitional provision for first-time adoption of FRS 139 which prohibits retrospective application and instead, requires an initial application of the recognition, classification and measurement on the effective date of the Standard.

(b) An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the revised Standard.

However, MFRS 139 does not have similar requirements for such a transition.

(v) FRS 140 contains an additional disclosure to require an entity to disclose that it had applied the transitional provision provided by the MASB in 1998. The same transitional provision allowed an entity to carry the asset's revalued amount as surrogate cost.

However, MFRS 140 does not have similar requirements for such a transition.

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(vi) FRS 7 contains two transitional provisions:

(a) An entity is not required to present any comparative disclosures required by the Standard when it first applied the Standard.

(b) An entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard.

However, MFRS 7 does not have similar requirements for such a transition.

(vii) IC Interpretation 12 contains a transitional provision that an entity need not disclose the effect of impending changes of accounting standards required under FRS 108 when it first applied the Standard. IC Interpretation 12 has removed these transitional provision in IC Interpretation 12.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented is in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than:

- recognition of revenue and profit from construction contracts
- valuation of investment properties
- impairment test of goodwill
- share-based payments
- depreciation
- income tax

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Subsidiaries are consolidated using the acquisition method of accounting in which the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied FRS 3, Business Combinations (revised) in accounting for business combinations. The changes in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011
For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as :
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit and loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business Combinations (cont'd)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

Acquisitions before 1 January 2011
For acquisitions prior to 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquire. When the excess was negative, a bargain purchase gain was recognised immediately in profit and loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

The Group applied FRS127, Consolidated and Separate Financial Statement (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of the influence retained.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale. The cost of investments includes transaction costs.

(vi) Joint ventures - Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the profit or loss of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Group's and Company's statement of financial position at cost less impairment losses.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to equity holders of the Company are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Since the beginning of the reporting period, the Group has applied FRS 127, Consolidated and Separate Financial Statements (revised) where losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. This change in the accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In previous years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group has been recovered.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

2. Significant accounting policies (cont'd)

(b) Foreign currency (Cont'd)

(i) Foreign currency transactions (cont'd)

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising from retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the accumulative amount in the FCTR related to that foreign operation is reclassified to profit and loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit and loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

2. Significant accounting policies (cont'd)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. A finance instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company adopted the policy to revalue their freehold land and leasehold land every 5 years or at shorter intervals whenever the fair values of the freehold land and leasehold land are expected to differ materially from their carrying values.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Dry-docking costs are recognised in the carrying amount of ships, rigs, etc. when incurred and depreciated over the period until the next dry-docking.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

With effect from 1 January 2008, the usage method of depreciation was implemented for certain plant and equipment. This method was adopted to better reflect the consumption pattern of the expected economic benefits of the plant and equipment. Under the usage method, depreciation is determined based on the number of days the plant and equipment are used over the projected useful lives of the assets.

The estimated useful lives are as follows:

Drydock and slipway	45 years
Cranes	10 - 15 years
Plant and equipment	3 - 20 years
Motor vehicles	5 years

Buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period.

(e) Leased assets

Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. On initial recognition of the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payment made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expenses is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payment over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2. Significant accounting policies (cont'd)

(f) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Where the fair value of the investment property under construction is not reliably determined, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Intangible assets

(i) Goodwill

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whether there is an indication that they may be impaired.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development.

2. Significant accounting policies (cont'd)

(g) Intangible assets (cont'd)

(ii) Research and development (cont'd)

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Intellectual property

Intellectual property consists of rights to trade name, know how and industrial property rights and is stated at cost less accumulated amortisation and impairment losses.

(iv) Amortisation

Other than goodwill, other intangible assets are amortised from the date that they are available for use. Amortisation is recognised to profit or loss on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

(h) Land held for development

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress, assembled cranes, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant accounting policies (cont'd)

(j) Amount due from/Amount due to contract customers

Amount due from contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Amount due from contract customers is presented as part of total current assets in the statement of financial position. Where progress billings exceed the cost incurred plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the statement of financial position.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the assets's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

2. Significant accounting policies (cont'd)

(l) Impairment (cont'd)

(ii) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, assets arising from construction contract, deferred tax asset, assets arising from employee benefits, investment property that is measured in fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

If any such indication exists, impairment is measured by comparing the carrying amount of the assets with their recoverable amounts. Recoverable amounts are the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised as an expense in the profit or loss immediately, unless the assets are carried at a revalued amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised, unless it is credited directly to revaluation surplus.

(m) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

2. Significant accounting policies (cont'd)

(m) Equity instruments (cont'd)

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

Preference share capital is classified as liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

(n) Bonds

The Redeemable Islamic bonds with detachable provisional rights to allotment of warrants are issued in the form of Sukuk Mudharabah in accordance with the Syariah principles of Mudharabah. The Islamic bonds is based on Master Mudharabah (Profit Sharing) Agreement ("MAA") entered into between the Company (Mudharib) and Trustee on behalf of the investor (rabb al-mal). The investors provide the required capital to Company under the principle of Mudharabah Mutlaqah or unrestricted Mudharabah for the relevant investment period, subject to specified terms and conditions, where absolute entrepreneurial authority was granted to the Company to manage the investment capital in Shariah compliant, general business activities of the Company.

The proceeds from the issue of Warrants, net of issue costs, will be credited to a warrants reserve account which is non-distributable. Warrants reserve will be transferred to the share premium accounts upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants on the expiry date of the exercise period will be transferred to retained earnings. Further details of the Islamic bonds in issue are disclosed in Note 17 to the financial statements.

(o) Loans and borrowings

Loans and borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption value is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

2. Significant accounting policies (cont'd)

(p) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (cont'd)

(r) Revenue

(i) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Goods sold and services rendered

Revenue from sale of goods, trading of crane inventories and crane components and marine supplies is measured at the fair value of the consideration received or receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from ship repair and other services rendered, which are of short term nature, is recognised in the profit or loss upon the completion of the repairs or services. Where the outcome of the transactions cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Rental income

Rental income from investment property is recognised in profit or loss as it accrues over the term of the lease.

Revenue from rental of cranes and vessels is recognised in profit or loss as it accrues.

(iv) Dividend income

Dividend income is recognised in profit or loss when the right to receive payment is established.

(s) Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (cont'd)

(t) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(u) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (cont'd)

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period adjusted for own shares held .

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(w) Operating segments

An operating segment is a division of the Group that operating results are reviewed regularly by the Group Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/ Valuation							
At 1 January 2010	108,681	180,761	45,368	134,771	432,786	2,492	904,859
Additions	1,621	12,181	-	9,940	14,851	119	38,712
Disposals	-	(3,667)	-	(15,423)	(24,157)	-	(43,247)
Written off	-	(476)	-	-	(3)	(1,654)	(2,133)
Exchange differences	(3,217)	(3,581)	-	(8,097)	(17,096)	(190)	(32,181)
Change in fair value	118,318	-	549	-	-	-	118,867
Reclassification	18	(11,611)	-	-	11,611	-	18
At 31 December 2010/ 1 January 2011	225,421	173,607	45,917	121,191	417,992	767	984,895
Additions	179	2,031	-	18,171	168,593	2,848	191,822
Disposals	-	-	-	(5,495)	(16,812)	(141)	(22,448)
Written off	-	-	-	(511)	(6,987)	-	(7,498)
Exchange differences	401	283	-	448	3,381	2	4,515
Reclassification	-	-	(549)	-	142	(142)	(549)
At 31 December 2011	226,001	175,921	45,368	133,804	566,309	3,334	1,150,737
Representing items at:							
Cost	4,168	175,921	45,368	133,804	566,309	3,334	928,904
Valuation	221,833	-	-	-	-	-	221,833
	226,001	175,921	45,368	133,804	566,309	3,334	1,150,737
Accumulated depreciation and impairment losses							
At 1 January 2010	2,783	40,195	11,036	52,762	253,067	-	359,843
Depreciation for the year	322	3,819	1,019	3,734	22,165	-	31,059
Impairment loss	-	14,734	-	-	-	-	14,734
Disposals	-	(2,153)	-	(8,735)	(17,620)	-	(28,508)
Written off	-	(31)	-	-	(977)	-	(1,008)
Exchange differences	-	(2,633)	-	(6,061)	(5,648)	-	(14,342)
Reclassification	18	(7,068)	-	-	7,068	-	18
Accumulated depreciation	3,123	30,635	12,055	41,164	256,615	-	343,592
Accumulated impairment losses	-	16,228	-	536	1,440	-	18,204
At 31 December 2010 / 1 January 2011	3,123	46,863	12,055	41,700	258,055	-	361,796
Depreciation for the year	1,699	4,040	1,019	4,532	28,441	-	39,731
Disposals	-	-	-	(2,673)	(6,688)	-	(9,361)
Written off	-	-	-	(225)	(6,694)	-	(6,919)
Exchange differences	-	183	-	211	1,264	-	1,658
Reclassification	-	(549)	-	-	-	-	(549)
Accumulated depreciation	4,822	34,309	13,074	43,009	272,938	-	368,152
Accumulated impairment losses	-	16,228	-	536	1,440	-	18,204
At 31 December 2011	4,822	50,537	13,074	43,545	274,378	-	386,356

3. Property, plant and equipment (cont'd)

Group	Land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts							
At 1 January 2010	105,898	140,566	34,332	82,009	179,719	2,492	545,016
At 31 December 2010/ 1 January 2011	222,298	126,744	33,862	79,491	159,937	767	623,099
At 31 December 2011	221,179	125,384	32,294	90,259	291,931	3,334	764,381

Company	Land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2010	9,492	285	34,973	166,617	-	211,367
Change in fair value	34,062	-	-	-	-	34,062
Additions	-	2,117	365	2,472	-	4,954
Disposals	-	-	(5,537)	(26,378)	-	(31,915)
At 31 December 2010/ 1 January 2011	43,554	2,402	29,801	142,711	-	218,468
Additions	-	-	3,964	106,857	2,723	113,544
Disposals	-	-	(380)	(3,055)	-	(3,435)
At 31 December 2011	43,554	2,402	33,385	246,513	2,723	328,577
Accumulated depreciation						
At 1 January 2010	762	109	8,399	61,449	-	70,719
Depreciation for the year	94	48	1,969	11,222	-	13,333
Disposals	-	-	(1,284)	(12,311)	-	(13,595)
At 31 December 2010/ 1 January 2011	856	157	9,084	60,360	-	70,457
Depreciation for the year	438	48	3,319	17,071	-	20,876
Disposals	-	-	(296)	(2,435)	-	(2,731)
At 31 December 2011	1,294	205	12,107	74,996	-	88,602
Carrying amounts						
At 1 January 2010	8,730	176	26,574	105,168	-	140,648
At 31 December 2010/ 1 January 2011	42,698	2,245	20,717	82,351	-	148,011
At 31 December 2011	42,260	2,197	21,278	171,517	2,723	239,975

3. Property, plant and equipment (cont'd)

Depreciation charge for the year is allocated as follows:

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating expenses	21	**13,872**	14,146	**953**	600
Contract costs	11	**25,859**	16,913	**19,923**	12,733
		39,731	31,059	**20,876**	13,333

Security

The freehold land, buildings, certain items of plant and equipment and certain long term leasehold land of the Group and of the Company with a total carrying amount of RM265,280,000 (2010 - RM271,046,000) and RM2,685,000 (2010 - RM2,712,000) respectively, have been pledged to certain licensed banks as security for term loan facilities granted to the Group and Company (Note 17).

Assets under hire purchase

Included in property, plant and equipment of the Group are plant, equipment and motor vehicles acquired under hire purchase arrangements with a carrying amount of RM438,000 (2010 - RM1,949,000).

Property, plant and equipment under the revaluation model

The Group and Company's freehold land and leasehold land were revalued upwards by independent professional qualified valuers in year 2008 and year 2010 respectively by using an open market value method.

Had the freehold land and leasehold land been carried under the cost model, the net book value of the Group's freehold land would have been RM9,221,000 (2010 – RM9,221,000) and Group and Company's leasehold land would have been RM57,782,000 (2010 - RM59,109,000) and RM8,492,000 (2010 – RM8,585,000) respectively.

Land

Included in the carrying amounts of land are:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Freehold land	**72,790**	72,490	**51**	51
Long term leasehold land	**148,389**	149,808	**42,209**	42,647
	221,179	222,298	**42,260**	42,698

4. Investment properties

	Group		Company	
	2011 RM'000	**2010** RM'000	**2011** RM'000	**2010** RM'000
Cost				
At 1 January	**1,058**	1,212	**26,769**	26,769
Reclassification	**-**	(154)	**-**	-
At 31 December	**1,058**	1,058	**26,769**	26,769
Accumulated depreciation and impairment loss				
At 1 January	**526**	661	**6,573**	6,387
Depreciation for the year	**16**	19	**186**	186
Reclassification	**-**	(154)	**-**	-
At 31 December	**542**	526	**6,759**	6,573
Carrying amounts				
At 31 December	**516**	532	**20,010**	20,196
Included in the above are:				
Freehold land	**158**	158	**12,942**	12,942
Buildings	**358**	374	**7,068**	7,254
	516	532	**20,010**	20,196

Investment properties of the Group comprise a number of commercial properties that are leased to third parties. Certain investment properties of the Company were leased to companies within the Group for their respective own use and accordingly classified as property, plant and equipment in the consolidated statement of financial position.

Market value

The market value of the investment properties presented on an aggregated basis, is as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Market value of investment properties				
- aggregated basis	**1,651**	1,490	**50,652**	49,897

4. Investment properties (cont'd)

Market value (cont'd)

The market value of the investment properties of the Group and of the Company was derived at by reference to market indication of transaction prices for similar properties within the same/adjacent location.

The Directors estimated the fair values of the Group's investment properties without involvement of independent valuers.

5. Investments in subsidiaries

		Company	
		2011 RM'000	**2010** RM'000
Ordinary shares			
Quoted shares - in Malaysia		**50,572**	49,000
Unquoted shares - at cost		**208,496**	208,496
Cumulative redeemable convertible preference shares, at cost	(a)	**1,800**	1,800
Non-cumulative non-convertible redeemable preference shares, at cost	(b)	**-**	6,250
		260,868	265,546
Less: Impairment losses		**(64,706)**	(69,024)
		196,162	196,522
Market value			
Quoted shares in Malaysia		**121,466**	102,900

(a) The cumulative redeemable convertible preference shares are held in a subsidiary and shall be redeemable at any time after 30 June 2009, at the discretion of the directors of the subsidiary.

(b) The non-cumulative non-convertible redeemable preference shares are redeemable before 31 December 2012.

5. Investments in subsidiaries (cont'd)

The principal activities of the active subsidiaries, their places of incorporation and the interest of Muhibbah Engineering (M) Bhd. are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Cranes segment				
Favelle Favco Berhad	Investment holding	Malaysia	**55.57**	55.33
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	**55.57**	55.33
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	**55.57**	55.33
Favelle Favco Cranes (USA), Inc.*	Manufacturing of cranes	United States of America	**55.57**	55.33
Favelle Favco Cranes Pty. Limited* and its subsidiaries:	Manufacturing of cranes	Australia	**55.57**	55.33
FF Management Pty. Limited*	Management services	Australia	**55.57**	55.33
Milperra Blasting and Coating Pty. Limited*	Dormant	Australia	**55.57**	55.33
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	**55.57**	55.33
Favelle Favco Cranes International Ltd.	Dormant	Labuan	**55.57**	55.33
FES Equipment Services Sdn. Bhd.	Hiring and repair of cranes	Malaysia	**55.57**	55.33
Favelle Favco Winches Pte. Ltd.*	Design, fabrication, trading, service and rental of winches, hydraulic system and material handling equipment	Singapore	**55.57**	-
Favelle Favco Management Services Sdn. Bhd.*	Dormant	Malaysia	**55.57**	-
Shanghai Favco Engineering Machinery Manufacturing Co. Ltd.*	Manufacturing of cranes	China	**33.34**	-

5. Investments in subsidiaries (cont'd)

Company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Marine shipbuilding and ship repair segment				
Muhibbah Marine Engineering Sdn. Bhd. and its subsidiary:	Ship building, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	Malaysia	**100**	100
Energy Ocean Ltd.	Trading of motor vessels, spare parts and other services	Labuan	**100**	100
Infrastructure construction segment				
Juara Lagi Sdn. Bhd.	Vessel chartering services	Malaysia	**100**	100
Elelink Sdn. Bhd. and its subsidiary: *	Investment holding	Malaysia	**100**	100
ITS Konsortium Sdn. Bhd.	Commissioning of intelligent transport system solution	Malaysia	**60**	60
Muhibbah Petrochemical Engineering Sdn. Bhd. and its subsidiary: #	Oil, gas, petrochemical engineering and related works	Malaysia	**90**	90
Eaststar Ltd.	Leasing of plant and machinery	Labuan	**90**	90
Muhibbah Engineering (Singapore) Pte. Ltd.*#	Civil and structural engineering contract works	Singapore	**100**	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	**100**	100
Muhibbah Steel Industries Sdn. Bhd.*	Structural steel fabrication and related works	Malaysia	**100**	100
Muhibbah Airline Support Industries Sdn. Bhd.	Manufacturing and services for airline support equipment	Malaysia	**100**	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Constructing and leasing of marine plants	Germany	**95**	95

5. Investments in subsidiaries (cont'd)

Company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Infrastructure construction segment (cont'd)				
Muhibbah Masteron Cambodia JV Limited	Investment holding and civil and structural engineering contract works	Cambodia	**70**	70
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	**100**	100
MEB Marketing Sdn. Bhd.*	Distribution and marketing of construction materials	Malaysia	**100**	100
Aspect Saga Sdn. Bhd.*#	Investment holding company	Malaysia	**100**	100
Muhibbah Reefers Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	**100**	100
Khas Jejaka Sdn. Bhd.*	Investment holding	Malaysia	**100**	100
Muhibbah International Labuan Ltd.	Offshore leasing and international trade business	Labuan	**100**	100
Muhibbah Offshore Services Ltd.	Leasing of plants	Labuan	**95**	95
Muhibbah Engineering (Cambodia) Co. Ltd.#	Construction, quarry and trading business	Cambodia	**60**	60
Muhibbah-LTAT JV Sdn. Bhd.	Civil, marine and structural engineering contract works	Malaysia	**51**	51
Konsortium Muhibbah Eng-LTAT Sdn. Bhd.	Dormant	Malaysia	**100**	100
Sun Vibrant Sdn. Bhd.*	Dormant	Malaysia	**51**	51
Besimega Sdn. Bhd.*	Dormant	Malaysia	**100**	100
Solid Reserve Sdn. Bhd.*	Dormant	Malaysia	**100**	100
Karisma Duta Sdn. Bhd.*	Dormant	Malaysia	**100**	100
CB International Sdn. Bhd.	Rental of investment properties and related services and provision of vessel chartering services	Malaysia	**100**	100

5. Investments in subsidiaries (cont'd)

Company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Infrastructure construction segment (cont'd)				
MEB Equipment Sdn. Bhd.*#	Dormant	Malaysia	**100**	100
Advance Vision Ltd.#	Dormant	Labuan	**100**	100
Cambodia Land Ltd.#	Dormant	Labuan	**100**	100
Delta Field Ltd.#	Dormant	Labuan	**100**	100
Muhibbah Yangon Limited*	Dormant	Union of Myanmar	**100**	100
Muhibbah Construction Pty. Ltd.* (formerly known as Muhibbah Airline Support Industry Pty. Ltd.)	Marine and port construction work	Australia	**100**	100
Muhibbah Engineering (Philippines) Corporation*	Dormant	Philippines	**99.99**	99.99
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.	Investment holding	Labuan	**70**	70

* Subsidiaries not audited by Messrs. Crowe Horwath

\# The auditors' reports on the audited financial statements of the subsidiaries contained an emphasis on the reliance of these subsidiaries on the continuing financial support from the Company and/or bankers in order to continue operating as going concerns.

(a) The Group's effective interest in Favelle Favco Berhad ("FFB") was accreted from 55.33% to 55.57%, pursuant to the additional share purchase from the open market during the year.

(b) On 25 February 2011, Favelle Favco Berhad, the Company's subsidiary subscribed for the new issue of 1 ordinary share of SGD1 each in Favelle Favco Winches Pte. Ltd. at par for a cash consideration of SGD1.

(c) On 7 October 2011, Favelle Favco Berhad, the Company's subsidiary acquired 2 ordinary shares of RM1 each in Favelle Favco Management Services Sdn. Bhd. for a total cash consideration of RM2.

(d) On 1 December 2011, Favelle Favco Berhad, the Company's subsidiary subscribed for 10,800,000 ordinary shares of RMB1 each in Shanghai Favco Engineering Machinery Manufacturing Co. Ltd. at par for a cash consideration of RMB10,800,000.

6. Investments in associates

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted shares				
- At cost	**74,289**	74,310	**8,501**	8,501
- Share of post-acquisition reserves	**67,792**	61,979	**-**	-
	142,081	136,289	**8,501**	8,501
Less: Impairment loss	**(228)**	(472)	**(77)**	(77)
	141,853	135,817	**8,424**	8,424
Summary financial information of associates:				
Total assets (100%)	**1,030,684**	948,832		
Total liabilities (100%)	**509,314**	467,765		
Revenue (100%)	**643,794**	567,282		
Profit for the year (100%)	**120,270**	111,725		

Details of the active associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Concession segment				
Roadcare (M) Sdn. Bhd.*	Operation and maintenance of roadways and bridges	Malaysia	**21**	21
Societe Concessionaire de l' Aeroport*#	Operator and concessionaire of airports in Cambodia	Cambodia	**21**	21
Cambodia Airport Management Services Ltd.*#	Provision of airport management services	Cambodia	**21**	21
Infrastructure construction segment				
Freyssinet PSC (M) Sdn. Bhd.*	Civil engineering and construction works	Malaysia	**50**	50
Inno Marine Services Sdn. Bhd.*#	Marine leasing activities	Malaysia	**37.5**	37.5
Muhibbah Emirates Contracting L.L.C.*#	Dormant	United Arab Emirates	**49**	49

6. Investments in associates (cont'd)

Company	Principal activities	Country of incorporation	Effective ownership interest 2011 %	2010 %
Infrastructure construction segment (cont'd)				
Muhibbah Engineering and Contracting Gulf W.L.L.*#	Dormant	Bahrain	**-**	49
MEB (Thailand) Co. Ltd.*	Dormant	Thailand	**40**	40
International Deepwater Services Ltd.#	Dormant	Labuan	**50**	50
IDS Darul Ehsan Sdn. Bhd. (formerly known as International Offshore Well Intervention Sdn. Bhd.)*#	Dormant	Malaysia	**50**	50
IDS Cahaya Sdn. Bhd.*#	Investment holding	Malaysia	**50**	50
IDS Cahaya Ltd.#	Offshore leasing business	Labuan	**50**	50
IDS Darussalam Sdn. Bhd.*#	Ship management services	Malaysia	**50**	50
IDS Offshore Sdn. Bhd.*#	Ship management services	Malaysia	**50**	-
Cranes segment				
Favco Offshores Sdn. Bhd.#	Manufacture, supply, servicing and renting of cranes	Malaysia	**16.67**	16.60
Favelle Favco Machinery and Equipment L.L.C.*#	Trading and rental of construction equipment	United Arab Emirates	**27.23**	27.11
Favco Equipment (Shanghai) Co. Ltd.*#	Supply, renting and servicing of lifting equipment and spare parts	China	**27.79**	27.66

The financial year end of all the associates is 31 December.

The investment in Muhibbah Emirates Contracting L.L.C. has been equity accounted for based on the unaudited financial statements of the associate for the year ended 31 December 2011.

(a) On 10 January 2011, Aspect Saga Sdn. Bhd., the Company's subsidiary subscribed for 125,000 ordinary shares of RM1 each in IDS Offshore Sdn. Bhd. at par for a cash consideration of RM125,000.

* Associates not audited by Messrs. Crowe Horwath

\# Associates of subsidiaries of Muhibbah Engineering (M) Bhd.

7. Receivables, deposits and prepayments

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current					
Non-trade					
Amount due from a subsidiary	7.2	-	-	**10,000**	10,000
		-	-	**10,000**	10,000
Current					
Trade					
Trade receivables	7.1/7.3	**147,713**	169,741	-	-
Progress billings receivable	7.3	**661,968**	649,968	**594,842**	572,514
Amounts due from subsidiaries	7.4	-	-	**181,381**	288,193
Amounts due from associates	7.5	**13,782**	10,094	-	5,476
		823,463	829,803	**776,223**	866,183
Less: Allowance for impairment loss		**(27,944)**	(20,756)	**(40,821)**	(39,005)
		795,519	809,047	**735,402**	827,178
Non-trade					
Amounts due from subsidiaries	7.4	-	-	**135,057**	149,567
Amounts due from associates	7.5	**34,162**	26,778	**7,112**	7,047
Other receivables		**63,040**	58,825	**21,008**	26,878
		97,202	85,603	**163,177**	183,492
Less: Allowance for impairment loss		**(8,720)**	(9,275)	**(8,490)**	(9,489)
		88,482	76,328	**154,687**	174,003
Deposits		**2,688**	2,341	**854**	559
Prepayments		**4,385**	8,846	-	-
		95,555	87,515	**155,541**	174,562
		891,074	896,562	**890,943**	1,001,740

7. Receivables, deposits and prepayments (cont'd)

7.1 Included in trade receivables are certified progress claims in relation to works performed by the Company for the engineering, construction, installation, commissioning and completion of a bunkering facility for a project known as the Asia Petroleum Hub ("APH") amounting to RM395 million. These certified claims have been recognised by the project owner. The APH project is located at Tanjung Bin, Johor and was approved by the Malaysian Government. The project has stalled due to financing difficulties encountered by the project owner.

In December 2011, a Receiver and Manager ("R&M") was appointed by the financier of the project to facilitate a restructuring exercise to revive the project. According to the R&M, the proposed restructuring scheme is supported by the financier, of which, inter alia, may involve debt to equity conversion and new funds being raised to complete the bunkering facility. For this purpose, the R&M has obtained a restraining order from the court for the restructuring scheme to be finalised and presented for approval.

The Directors have evaluated the situation and based on the discussions with the relevant parties involved and evidence available including the prospect of the project and proposed restructuring exercise, have reasonable ground to opine that the project is viable and therefore no allowance for impairment loss on this receivable is required.

7.2 The long term advance due from a subsidiary is non trade in nature, interest free, unsecured and is not expected to be repayable within the next twelve months.

7.3 Included in trade receivables and progress billings receivable are major receivables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Australian Dollar	**34,545**	37,386	**-**	-
Euro	**598**	31,541	**-**	1,974
Qatari Riyal	**114,576**	107,697	**114,576**	107,697
Singapore Dollar	**12,251**	19,234	**-**	-
Chinese Renminbi	**7,280**	6,324	**-**	-
Danish Krone	**6,500**	4,749	**-**	-
US Dollar	**58,124**	141,571	**1,949**	85,544

Also included in trade receivables and progress billings receivable of the Group and of the Company are retention sums of RM84,105,000 (2010 - RM122,010,000) and RM81,918,000 (2010 - RM120,616,000) respectively.

7.4 The amounts due from subsidiaries of the Company are unsecured with no fixed terms of repayment and are interest free, other than an amount due from a subsidiary of RM49,631,000 (2010 - RM49,631,000) which is subject to interest of 5% (2010 - 5.0%) per annum.

7.5 The amounts due from associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment. Included in amounts due from associates of the Group and of the Company are retention sums of Nil (2010 - RM355,000).

8. Goodwill on consolidation

	Group	
	2011 RM'000	2010 RM'000
Cost /Carrying amounts		
At 1 January	**14,400**	21,600
Impairment losses	**(14,400)**	(7,200)
At 31 December	**-**	14,400

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount for the above was based on its value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets and were based on the following key assumptions:

a) cash flows were projected based on actual operating results;

b) the subsidiary will continue its operations indefinitely;

c) the projected gross margin reflects the average historical gross margin, adjusted for projected market and economic conditions;

d) the subsidiary will generate cash flow from the sale of a piece of land. Should the sale be aborted, the cash flows to be generated from the use of the land will exceed the projected sale value; and

e) the post-tax discount rate used is 7%.

9. Deferred tax (assets) and liabilities

Recognised deferred tax (assets) and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

Group	Assets 2011 RM'000	Assets 2010 RM'000	Liabilities 2011 RM'000	Liabilities 2010 RM'000	Net 2011 RM'000	Net 2010 RM'000
Property, plant and equipment	**8**	-	**47,511**	50,596	**47,519**	50,596
Tax loss carry forward	**(31)**	(5,016)	**-**	-	**(31)**	(5,016)
Other items	**(5,190)**	-	**1,803**	-	**(3,387)**	-
Tax (assets)/liabilities	**(5,213)**	(5,016)	**49,314**	50,596	**44,101**	45,580
Set off of tax	**2,822**	2,356	**(2,822)**	(2,356)	**-**	-
Net tax (assets)/liabilities	**(2,391)**	(2,660)	**46,492**	48,240	**44,101**	45,580

Company	Assets 2011 RM'000	Assets 2010 RM'000	Liabilities 2011 RM'000	Liabilities 2010 RM'000	Net 2011 RM'000	Net 2010 RM'000
Property, plant and equipment	**-**	-	**8,516**	8,516	**8,516**	8,516
Net tax (assets)/liabilities	**-**	-	**8,516**	8,516	**8,516**	8,516

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect to the following items:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Property, plant and equipment	**(106,988)**	(75,393)	**(97,824)**	(67,297)
Other temporary differences	**135,202**	140,905	**112,345**	120,781
Unabsorbed capital allowances	**49,935**	29,968	**41,489**	21,308
Tax loss carry-forwards	**302,408**	291,997	**143,018**	143,018
	380,557	387,477	**199,028**	217,810

9. Deferred tax assets and liabilities (cont'd)

Unrecognised deferred tax assets (cont'd)

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Movement in temporary differences during the year

Group	Property plant and equipment RM'000	Tax losses carry forward RM'000	Other items RM'000	Total RM'000
As at 1 January 2010	25,135	(5,008)	(4)	20,123
Recognised in equity	29,580	-	(11,404)	18,176
Recognised in profit or loss (Note 23)	7,289	(8)	-	7,281
As at 31 December 2010/1 January 2011	62,004	(5,016)	(11,408)	45,580
Recognised in profit or loss (Note 23)	(2,605)	2	1,088	(1,515)
Reclassification	(11,880)	4,983	6,897	-
Exchange Differences	-	-	36	36
As at 31 December 2011	47,519	(31)	(3,387)	44,101
Company				
As at 1 January 2010	12,375	(4,975)	-	7,400
Recognised in equity	8,516	-	-	8,516
Recognised in profit or loss (Note 23)	(12,375)	4,975	-	(7,400)
As at 31 December 2010/31 December 2011	8,516	-	-	8,516

10. Other non-current assets

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other investments	**602**	80	**9**	9
Development costs	**6,347**	15,235	**-**	-
Land held for development	**10,858**	12,439	**-**	-
	17,807	27,754	**9**	9

10. Other non-current assets (cont'd)

	Land held for development Group		Development costs Group	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cost				
At 1 January	**13,724**	14,956	**27,711**	21,611
Additions	**-**	6	**6,269**	6,771
Written off	**(1,773)**	-	**(12,397)**	-
Exchange difference	**257**	(1,238)	**236**	(671)
At 31 December	**12,208**	13,724	**21,819**	27,711
Accumulated impairment/amortisation				
At 1 January	**1,285**	1,378	**12,476**	10,426
Amortisation charge for the year	**35**	46	**1,471**	2,024
Written off	**-**	-	**(6,351)**	-
Impairment loss	**-**	-	**7,805**	-
Exchange difference	**30**	(139)	**71**	26
At 31 December	**1,350**	1,285	**15,472**	12,476
Carrying amounts				
At 1 January	**12,439**	13,578	**15,235**	11,185
At 31 December	**10,858**	12,439	**6,347**	15,235

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved major crane projects. It is reasonably anticipated that the development expenditure will be recovered through future commercial activity. The remaining amortisation period of development expenditure at the end of the financial year ranged from 1 year to 3 years (2010 - 1 year to 3 years).

Title

The long term leasehold land in a foreign subsidiary is registered in the name of its director cum minority shareholder who holds the property in trust for the foreign subsidiary.

11. Amounts due from/to contract customers

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Aggregate costs incurred to date	**5,675,809**	4,812,561	**2,997,143**	2,409,798
Add: Attributable profits less foreseeable losses	**203,994**	311,295	**63,444**	118,186
	5,879,803	5,123,856	**3,060,587**	2,527,984
Less: Progress billings	**(5,632,863)**	(4,818,807)	**(2,808,171)**	(2,343,695)
	246,940	305,049	**252,416**	184,289
Amount due from contract customers	**536,876**	583,071	**330,470**	237,157
Amount due to contract customers	**(289,936)**	(278,022)	**(78,054)**	(52,868)
	246,940	305,049	**252,416**	184,289

Additions to aggregate costs incurred during the year include:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Depreciation of property, plant and equipment	**25,859**	16,913	**19,923**	12,733
Finance costs	**17,769**	18,780	**8,305**	8,607
Rental expense	**81,127**	46,144	**105,697**	48,989
Share-based payments	**969**	4	**969**	4

The amount due from contract customers include an interim amount of RM318 million for a substantially completed project. The Company has consulted and engaged an experienced claim consultant to assist the Company to obtain approval for additional claims from the customer. The claim consultant is of the opinion that there are valid grounds for the claims which, inter alia represents works performed in addition to the original scope of the contract and claims that can be recovered in accordance to the law and the terms of the contract and should be approved by the customer. The directors are of the opinion that the claims is recoverable in due course.

12. Inventories

	Group	
	2011 RM'000	**2010 RM'000**
At cost:		
Cranes	**3,276**	4,058
Raw materials	**12,353**	36,176
Crane components	**86,426**	67,737
Work-in-progress	**64,489**	38,589
Manufactured and trading inventories	**3,498**	3,274
	170,042	149,834
At net realisable value:		
Cranes	**22,303**	20,695
Crane components	**10,585**	8,554
Raw materials	**35**	35
	202,965	179,118

13. Derivative assets/(liabilities)

	2011			2010		
Group	**Contract/ Notional amount RM'000**	**Derivative assets RM'000**	**Derivative liabilities RM'000**	**Contract/ Notional amount RM'000**	**Derivative assets RM'000**	**Derivative liabilities RM'000**
Forward foreign currency contracts	**518,873**	**6,438**	**-**	678,451	41,312	3,509

	2011			2010		
Company	**Contract/ Notional amount RM'000**	**Derivative assets RM'000**	**Derivative liabilities RM'000**	**Contract/ Notional amount RM'000**	**Derivative assets RM'000**	**Derivative liabilities RM'000**
Forward foreign currency contracts	**186,212**	**3,449**	**-**	392,090	31,401	-

Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. There is minimal credit and market risk because the contracts are with reputable banks.

14. Cash and cash equivalents

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	**225,008**	153,958	**64,533**	19,410
Deposits placed with licensed banks	**98,233**	47,148	**10,969**	3,663
	323,241	201,106	**75,502**	23,073

15. Share capital

		Group and Company			
		Number of shares		Amount	
		2011 '000	2010 '000	2011 RM'000	2010 RM'000
Ordinary shares of RM0.50 each					
Authorised:					
At 1 January/31 December		**1,000,000**	1,000,000	**500,000**	500,000
Issued and fully paid:					
At 1 January		**398,392**	397,371	**199,196**	198,685
Exercise of ESOS	(i)	**9,821**	1,021	**4,911**	511
At 31 December		**408,213**	398,392	**204,107**	199,196

(i) During the financial year, a total of 9,821,000 (2010 - 1,021,000) new ordinary shares of RM0.50 (2010 - RM0.50) each were issued at RM0.51 (2010 - RM0.51) for cash pursuant to the employees' share options scheme ("ESOS") of the Company. The premium arising from the exercise of ESOS of RM98,215 (2010 - RM10,210) has been credited to the share premium account. The details of options granted under the Company's ESOS, which remain outstanding at 31 December 2011, are disclosed in Note 25.

16. Capital and reserves

Treasury shares

This amount represents the acquisition cost for the repurchase of the Company's ordinary shares, net of the proceeds received on their subsequent sale or issuance of the shares repurchased.

The number of treasury shares held is 1,783,000 (2010 - 1,783,000). None of the treasury shares held was sold or cancelled during the financial year ended 31 December 2011.

16. Capital and reserves (cont'd)

Share premium

The share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above par value and the transfer of option reserve to share premium when the share options are exercised.

The share premium may be applied only for the purposes as specified in the Companies Act, 1965.

Revaluation reserve

Revaluation reserve of the Group relates to the revaluation of freehold land of the Company and certain subsidiaries, and the revaluation of an investment in a subsidiary by the Company in 1982.

Capital reserve

The capital reserve of the Group represents reserve arising from the redemption of preference shares issued by a subsidiary, and the capitalisation of distributable reserve for issuance of bonus shares by subsidiaries in previous years.

Share option reserve

The share option reserve of the Group and of the Company comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Translation reserve

The translation reserve of the Group and of the Company comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Warrant reserve

The proceeds from the issue of Warrants, net of issue costs, is credited to a warrant reserve account which is non-distributable. Warrant reserve will be transferred to the share premium accounts upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants on the expiry date of the exercise period will be transferred to retained earnings.

Section 108 credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2011 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from the year of assessment 2008. As such, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

17. Loans and borrowings

The note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. For more information about the Group's and Company's exposure to interest rate risk, see Note 29.

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current				
Secured				
Term loans	**72,773**	92,138	**-**	-
Hire purchase payables	**249**	639	**-**	-
Unsecured				
Term loans	**31,242**	41,377	**31,242**	41,377
Bonds	**130,000**	130,000	**130,000**	130,000
	234,264	264,154	**161,242**	171,377
Current				
Secured				
Term loans	**19,272**	19,261	**-**	-
Hire purchase payables	**243**	297	**-**	-
	19,515	19,558	**-**	-
Unsecured				
Term loans	**10,244**	16,223	**10,244**	14,771
Bank overdrafts	**7,407**	8,764	**1,523**	177
Revolving credits	**175,788**	134,372	**161,000**	118,000
Insurance premium finance	**2,569**	3,152	**-**	-
	215,523	182,069	**172,767**	132,948
	449,787	446,223	**334,009**	304,325

17. Loans and borrowings (cont'd)

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2011						
Term loans						
- secured	2013 – 2020	**92,045**	**19,272**	**14,139**	**32,123**	**26,511**
- unsecured	2018	**41,486**	**10,244**	**5,500**	**16,500**	**9,242**
Bank overdrafts						
- unsecured	-	**7,407**	**7,407**	**-**	**-**	**-**
Revolving credits						
- unsecured	-	**175,788**	**175,788**	**-**	**-**	**-**
Bonds						
- unsecured	2013 – 2015	**130,000**	**-**	**60,000**	**70,000**	**-**
Insurance premium finance						
- unsecured	-	**2,569**	**2,569**	**-**	**-**	**-**
Hire purchase payables	2013	**492**	**243**	**237**	**12**	**-**
		449,787	**215,523**	**79,876**	**118,635**	**35,753**
2010						
Term loans						
- secured	2012 – 2020	111,399	19,261	19,272	36,876	35,990
- unsecured	2011 – 2018	57,600	16,223	10,136	16,500	14,741
Bank overdrafts						
- unsecured	-	8,764	8,764	-	-	-
Revolving credits						
- unsecured	-	134,372	134,372	-	-	-
Bonds						
- unsecured	2013 – 2015	130,000	-	-	130,000	-
Insurance premium finance						
- unsecured	-	3,152	3,152	-	-	-
Hire purchase payables	2012 - 2013	936	297	291	348	-
		446,223	182,069	29,699	183,724	50,731

17. Loans and borrowings (cont'd)

Terms and debt repayment schedule (cont'd)

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2011						
Term loans						
- unsecured	2018	41,486	10,244	5,500	16,500	9,242
Bank overdrafts						
- unsecured	-	1,523	1,523	-	-	-
Revolving credits						
- unsecured	-	161,000	161,000	-	-	-
Bonds						
- unsecured	2013 - 2015	130,000	-	60,000	70,000	-
		334,009	172,767	65,500	86,500	9,242
2010						
Term loans						
- unsecured	2018	56,148	14,771	10,136	16,500	14,741
Bank overdrafts						
- unsecured	-	177	177	-	-	-
Revolving credits						
- unsecured	-	118,000	118,000	-	-	-
Bonds						
- unsecured	2013 - 2015	130,000	-	-	130,000	-
		304,325	132,948	10,136	146,500	14,741

Hire purchase payables are payable as follows:

Group	Gross 2011 RM'000	Interest 2011 RM'000	Principal 2011 RM'000	Gross 2010 RM'000	Interest 2010 RM'000	Principal 2010 RM'000
Less than one year	**271**	**(28)**	**243**	339	(42)	297
Between one and five year	**267**	**(18)**	**249**	673	(34)	639
	538	**(46)**	**492**	1,012	(76)	936

Term loans

Subsidiaries

The secured term loans of the subsidiaries are charged against a piece of long term leasehold land of a subsidiary, a piece of long term leasehold land of the Company, freehold land, buildings and certain plant and equipment (Note 3).

18. Payables and accruals

		Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current					
Non-trade					
Advances from minority shareholders	(i)	**14,970**	15,324	**-**	-
Current					
Trade					
Trade payables	(ii)	**668,873**	735,866	**333,705**	478,886
Amounts due to subsidiaries	(iii)	**-**	-	**121,248**	17,195
Amounts due to associates	(iv)	**1,581**	977	**1,480**	614
		670,454	736,843	**456,433**	496,695
Non-trade					
Amounts due to subsidiaries	(iii)	**-**	-	**5,917**	13,102
Amounts due to associates	(iv)	**719**	866	**-**	-
Provision	(v)	**9,577**	13,042	**776**	4,528
Other payables		**18,160**	16,425	**2,320**	2,670
Accrued expenses		**40,648**	40,015	**5,911**	4,154
		69,104	70,348	**14,924**	24,454
Total		**739,558**	807,191	**471,357**	521,149

(i) The advances from minority shareholders of a subsidiary of RM14,970,000 (2010 - RM15,324,000) are interest free, unsecured and are not expected to be repayable within the next twelve months.

(ii) Included in trade payables of the Group and of the Company are advances received from contract customers amounting to RM32,640,102 (2010 - RM145,419,520).

18. Payables and accruals (cont'd)

Included in trade payables are major payables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Australian Dollar	**57,123**	57,299	**-**	-
Danish Krone	**9,746**	9,917	**2**	-
Euro	**11,045**	25,802	**5**	16,739
Qatari Riyal	**154,639**	108,290	**154,639**	108,290
Singapore Dollar	**27,471**	24,929	**502**	-
US Dollar	**66,542**	38,830	**30,548**	8,615
Norwegian Krone	**141**	1,335	**-**	-
Japanese Yen	**99**	1,332	**-**	-
Sudanese Pound	**-**	609	**-**	609
UAE Dirham	**9**	327	**9**	327
Chinese Renminbi	**22,809**	9,538	**-**	-

(iii) The amounts due to subsidiaries of the Company are interest free, unsecured and have no fixed terms of repayment.

(iv) The amounts due to associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment.

(v) Provision for warranty costs is made based on historical warranty data and a weighting of all possible outcomes against the associated probability of further costs being incurred on the completed projects where defect liability periods have commenced.

19. Bills payable

Bills payable of the Company are supported by a negative pledge executed by the Company and the bills payable of the subsidiaries are guaranteed by the Company. All bills payable of the Group and of the Company are unsecured and payable within a year and not subject to repricing before maturity.

20. Revenue

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue				
Contract revenue	**1,876,839**	1,649,622	**1,087,683**	664,535
Sale of goods	**107,688**	76,497	**-**	-
Services rendered	**41,839**	42,765	**5,476**	4,228
Dividend income	**-**	-	**84,904**	72,036
	2,026,366	1,768,884	**1,178,063**	740,799

21. Operating profit

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating profit is arrived at after charging:				
Impairment loss on receivables	**20,749**	14,884	**12,882**	12,973
Write-down of inventories	**1,302**	1,852	**-**	-
Amortisation of development costs	**1,471**	2,024	**-**	-
Amortisation of land held for development	**35**	46	**-**	-
Depreciation of investment properties	**16**	19	**186**	186
Depreciation of property, plant and equipment				
-operating expenses	**13,872**	14,146	**953**	600
-contract costs	**25,859**	16,913	**19,923**	12,733
	39,731	31,059	**20,876**	13,333
Finance cost				
-borrowings	**25,700**	15,726	**14,665**	7,712
- interest expense arising on financial assets/ (liabilities) measured under FRS 139	**2,633**	-	**21,497**	-
	28,333	15,726	**36,162**	7,712
-contract costs	**17,769**	18,780	**8,305**	8,607
	46,102	34,506	**44,467**	16,319
Bad debts written off	**325**	55	**-**	-
Impairment loss on property, plant and equipment	**-**	14,734	**-**	-
Impairment loss on development costs	**7,805**	-	**-**	-
Impairment loss on investment on subsidiaries	**-**	-	**1,931**	-
Cost of construction	**1,823,366**	1,604,173	**1,113,626**	712,503

21. Operating profit (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating profit is arrived at after charging: (cont'd)				
Audit fees - statutory:				
- Holding company's auditors				
- Statutory audit	**330**	403	**128**	90
- Others	**20**	20	**10**	10
- Other auditors	**655**	574	**32**	-
Impairment loss on goodwill	**14,400**	7,200	**-**	-
Loss on foreign exchange	**3,721**	17,001	**-**	-
Loss on disposal of property, plant and equipment	**-**	153	**-**	547
Development costs written off	**7,819**	-	**-**	-
Inventories written off	**3,680**	8	**-**	-
Forward contract derivative loss	**31,365**	-	**27,952**	-
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	**9,195**	7,994	**1,064**	1,042
- wages, salaries and others	**101,959**	91,149	**9,404**	10,176
Property, plant and equipment written off	**579**	1,125	**-**	-
Rental expense on:				
- premises	**3,115**	3,950	**3,395**	2,138
- equipment	**81,910**	39,329	**103,434**	47,613
Share-based payments	**2,670**	161	**2,115**	26
and after crediting:				
Gain on disposal of property, plant and equipment	**1,024**	-	**405**	-
Gain on foreign exchange	**18,254**	8,962	**3,491**	4,704
Gross dividend income	**-**	-	**84,904**	72,036
Rental income on:				
- premises	**653**	612	**771**	732
- plant and machinery	**15,673**	5,416	**161**	627
Reversal of impairment loss on receivables	**14,081**	2,432	**11,388**	-
Bad debts recovered	**256**	100	**-**	-
Forward contract derivative gain	**-**	17,521	**-**	16,492
Interest income	**4,438**	3,182	**3,245**	3,191
Interest income arising on financial assets/(liabilities) measured under FRS 139	**6,747**	20,699	**6,057**	17,725
Reversal of impairment loss on investment in subsidiaries	**-**	-	**6,250**	-
Premium on redemption of preference shares of subsidiary	**429**	-	**875**	-
Reversal of impairment loss on other investment	**22**	18	**-**	-

22. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors of the Company				
- Fees	869	822	480	432
- Remuneration	2,977	2,549	3,129	2,358
	3,846	3,371	3,609	2,790

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

23. Income tax expense/(benefits)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current tax expense				
Malaysia - current	**30,770**	(12,209)	**2,284**	2,383
- (over)/underprovision in prior year	**(1,882)**	2,015	**(92)**	(1,951)
	28,888	(10,194)	2,192	432
Foreign - current	**3,099**	9,038	-	-
- (over)/underprovision in prior year	**(1,288)**	868	-	(6,028)
	1,811	9,906	-	(6,028)
Deferred tax expense (Note 9)				
Origination/(reversal) of temporary differences	**397**	6,583	-	(7,400)
(Over)/underprovision in prior years	**(1,912)**	698	-	-
	(1,515)	7,281	-	(7,400)
Total income tax expense/(benefits)	**29,184**	6,993	**2,192**	(12,996)

23. Income tax expense/(benefits) (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Reconciliation of tax expense				
Profit before tax	**111,716**	53,277	**23,252**	2,712
Income tax using Malaysian tax rate at 25% (2010 - 25%)	**27,929**	13,319	**5,813**	678
Effect of different tax rates in foreign jurisdictions	**6,116**	1,181	**-**	(15,089)
Effect of deferred tax benefits not recognised	**-**	-	**-**	18,243
Utilisation of deferred tax benefits previously not recognised	**(1,730)**	-	**(4,695)**	-
Non-deductible expenses	**27,495**	18,075	**13,598**	876
Non-taxable income	**(10,200)**	(8,446)	**(3,091)**	(7,632)
Tax incentives	**(5,220)**	(5,703)	**-**	-
Tax exempt income	**(31,001)**	(26,106)	**(19,893)**	(15,626)
Non-deductible losses from foreign projects	**19,422**	13,533	**10,552**	13,533
Others	**1,455**	(2,441)	**-**	-
	34,266	3,412	**2,284**	(5,017)
(Over)/Underprovision in prior years				
- current tax expense	**(3,170)**	2,883	**(92)**	(7,979)
- deferred tax expense	**(1,912)**	698	**-**	-
Total income tax expense	**29,184**	6,993	**2,192**	(12,996)

The corporate tax rates are 25% for the year of assessment 2010, 25% for year of assessment 2011 and subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

A subsidiary which is principally engaged in the designing, manufacturing, supply, servicing, trading and renting of cranes was granted tax exemption of 100% on cranes sales under Section 127, Income Tax Act, 1967 for a period of 10 years with effect from 1 June 2002.

24. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Profit attributable to owners of the Company	**63,772**	32,944

	Group	
	2011	**2010**
In thousands of shares		
Number of ordinary shares in issue at 1 January	**396,609**	395,588
Effect of shares issued under ESOS	**5,705**	414
Total weighted average number of ordinary shares in issue (unit'000)	**402,314**	396,002

	Group	
	2011	**2010**
Basic earnings per share (sen)	**15.85**	8.32

Diluted earnings per share

The Group has dilutive potential ordinary shares from the options granted to eligible employees of the Group and warrants.

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Profit attributable to owners of the Company	**63,772**	32,944

24. Earnings per share (cont'd)

Diluted earnings per share (cont'd)

	Group	
	2011	**2010**
In thousands of shares		
Weighted average number of ordinary shares	**402,314**	396,002
Effect of dilution arising from conversion of all:		
-employee share options	**3,425**	4,979
-warrants	**8,029**	-
Adjusted weighted average number of ordinary shares at 31 December (unit '000)	**413,768**	400,981

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the share options were outstanding.

	Group	
	2011	**2010**
Diluted earnings per share (sen)	**15.41**	8.22

25. Employee benefits

Share-based payments

In 2011, a new employees' share option scheme ("New ESOS Scheme") was established and approved by the shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 June 2011 to the eligible employees including Directors of the Company and its subsidiaries. The former employees' share option scheme ("Former ESOS Scheme") which was previously established and approved by the shareholders of the Company at an EGM held on 26 June 2006, had expired on 2 August 2011. The expired Former ESOS Scheme was replaced by the approved New ESOS Scheme.

The main features of the New ESOS Scheme are as follows:

(i) The maximum number of approved unissued new ordinary shares shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS Scheme;

(ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least 1 year;

25. Employee benefits (cont'd)

Share-based payments (cont'd)

(iii) A grantee shall be allowed to exercise the options granted to him/her subject to the following percentage limits based on his/her respective entitlement granted at the discretion of the ESOS Committee:

		← Year option is granted →				
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Cumulative % of	Year 1	-	-	-	-	-
options exercisable	Year 2	33.33%	-	-	-	-
during the	Year 3	66.67%	33.33%	-	-	-
option period	Year 4	100%	66.67%	66.67%	-	-
in:	Year 5	100%	100%	100%	100%	100%

(iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the 5 market days immediately preceding the offer date subject to a discount of not more than 10% or at the par value of the shares of the Company, whichever is higher;

The following options were granted under the ESOS schemes:

Grant date	Number of Option '000	At 1.1.2011 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2011 '000	Expiry date
Former ESOS Scheme							
30.6.2006	37,250	9,964	-	(9,822)	(142)	-	2.8.2011
30.8.2007	692	378	-	-	(378)	-	2.8.2011
New ESOS Scheme							
29.9.2011	38,170	-	38,170	-	(314)	37,856	2.8.2016
		10,342	38,170	(9,822)	(834)	37,856	

25. Employee benefits (cont'd)

Share-based payments (cont'd)

Subsidiary

Grant date	Exercise price RM	At 1.1.2011 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2011 '000	Expiry date
Former ESOS Scheme							
30.6.2006	0.55	1,767	-	(1,523)	(244)	-	29.6.2011
30.6.2007	1.90	239	-	-	(239)	-	29.6.2011
30.6.2008	1.09	227	-	(126)	(101)	-	29.6.2011
30.6.2009	0.86	403	-	(326)	(77)	-	29.6.2011
30.6.2010	0.75	107	-	(56)	(51)	-	29.6.2011
New ESOS Scheme							
28.9.2011	0.80	-	10,128	-	(113)	10,015	27.9.2016
		2,743	10,128	(2,031)	(825)	10,015	

Details relating to options exercised during the year

	Company	
	2011 RM'000	2010 RM'000
Ordinary share capital at par	**4,911**	511
Share premium	**98**	10
Proceeds received on exercise of share options	**5,009**	521

	Company		Subsidiary	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Average share price for the year	**1.36**	1.02	**1.18**	0.86

25. Employee benefits (cont'd)

Share-based payments (cont'd)

The value of employee services received for issue of share options is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Expense recognised as share-based payments	**2,670**	161	**2,115**	26

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs:

	Company		Subsidiary	
	2011	2010	2011	2010
Fair value at grant date (RM)				
- Granted in 2006	**0.20 - 0.25**	0.20 - 0.25	**0.17 - 0.22**	0.17 - 0.22
- Granted in 2007	**0.98 - 1.39**	0.98 - 1.39	**0.76 - 1.03**	0.76 - 1.03
- Granted in 2008	**-**	-	**0.30 - 0.37**	0.30 - 0.37
- Granted in 2009	**-**	-	**0.32**	0.32
- Granted in 2010	**-**	-	**0.25**	0.25
- Granted in 2011	**0.40 – 0.50**	-	**0.34 – 0.42**	-
Weighted average share price (RM)				
- Granted in 2006	**0.57**	0.57	**0.55**	0.55
- Granted in 2007	**3.70**	3.70	**2.04**	2.04
- Granted in 2008	**-**	-	**1.18**	1.18
- Granted in 2009	**-**	-	**0.98**	0.98
- Granted in 2010	**-**	-	**0.84**	0.84
- Granted in 2011	**0.96**	-	**0.88**	-
Exercise price (RM)				
- Granted in 2006	**0.51**	0.51	**0.55**	0.55
- Granted in 2007	**3.60**	3.60	**1.90**	1.90
- Granted in 2008	**-**	-	**1.09**	1.09
- Granted in 2009	**-**	-	**0.86**	0.86
- Granted in 2010	**-**	-	**0.75**	0.75
- Granted in 2011	**0.88**	-	**0.80**	-
Expected volatility (%)	**38.40 -51.64**	38.40-40.98	**31.99-59.24**	31.99-59.24
Expected option life (years)	**5**	1	**5**	1

25. Employee benefits (cont'd)

Fair value of share options and assumptions (cont'd)

	Company		Subsidiary	
	2011	**2010**	**2011**	**2010**
Risk free interest rate (%)				
(based on Malaysia government bonds)				
- Granted in 2006	**4.14 - 4.31**	4.14 - 4.31	**4.48 - 4.57**	4.48 - 4.57
- Granted in 2007	**3.45 - 3.48**	3.45 - 3.48	**3.30 - 3.35**	3.30 - 3.35
- Granted in 2008	**-**	-	**4.04 - 4.12**	4.04 - 4.12
- Granted in 2009	**-**	-	**2.56**	2.56
- Granted in 2010	**-**	-	**2.79**	2.79
- Granted in 2011	**3.24 – 3.41**	-	**3.23 - 3.41**	-
Expected staff turnover (%)	**5.00 - 12.00**	5.00	**5.00 - 15.00**	5.00 - 15.00

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur.

26. Dividend

The dividend recognised in the current year by the Company is:

Ordinary dividend	Per share Sen	Total amount RM'000	Date of payment
2011			
Final per ordinary share of RM0.50 each less 25% tax - for the year ended 31 December 2010	3.50	**10,666**	3 August 2011
2010			
Final per ordinary share of RM0.50 each less 25% tax - for the year ended 31 December 2009	2.50	**7,425**	16 September 2010

26. Dividend (cont'd)

Proposed final dividend for the year ended 31 December 2011

The Directors have recommended a first and final dividend of 10% (5.00 sen) less 25% tax per ordinary share of RM0.50 each totaling RM15,241,134 in respect of the financial year ended 31 December 2011, which will be paid after the financial year end subject to the approval of the shareholders at the forthcoming Annual General Meeting, based on the issued and paid-up share capital (excluding treasury shares) of 406,430,250 ordinary shares of RM0.50 each as at 31 December 2011. The proposed final dividend has not been accounted for in the financial statements of the Group and of the Company as at 31 December 2011.

Dividend per ordinary share

The calculation of dividend per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2011 of RM20,321,513 (2010 - RM13,881,306) on the issued and paid-up share capital (excluding treasury shares) of 406,430,250 ordinary shares of RM0.50 each (2010 - 396,608,750 ordinary shares of RM0.50 each) as at 31 December 2011.

27. Operating segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Executive Committee as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following main business segments:

Infrastructure construction	Construction of petroleum hub and bunkering facilities, oil and gas terminals, liquefied natural gas jetty works, marine ports, bridges and dams, airport terminals runway and facility support buildings, heavy concrete foundations and other similar construction works
Cranes	Design, manufacture, supply, trading, leasing and service provider of offshore oil and gas pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes
Marine ship building and ship repair	Design, engineering, building and service provider of anchor handling tug boats, supply vessels, accommodation ships and marine vessels for the offshore oil and gas exploration and production works
Concession	Privatisation of international airports in Cambodia and road maintenance works in the central region of Peninsular Malaysia

Segment assets and segment liabilities

The Group Executive Committee reviews the segments' operating performance on segment net assets basis. Hence the segment assets and segment liabilities is presented on the same basis.

27. Operating segments (cont'd)

Business segments

	Infrastructure construction 2011 RM'000	Infrastructure construction 2010 RM'000	Cranes 2011 RM'000	Cranes 2010 RM'000	Marine ship building and ship repair 2011 RM'000	Marine ship building and ship repair 2010 RM'000	Concession 2011 RM'000	Concession 2010 RM'000	Eliminations 2011 RM'000	Eliminations 2010 RM'000	Consolidated 2011 RM'000	Consolidated 2010 RM'000
Segment profit	**49,231**	31,140	**52,485**	34,298	**82,248**	45,117	**22,904**	24,913	**(95,152)**	(82,191)	**111,716**	53,277
Included in the measure of segment profit are:												
Revenue from external customers	**1,182,911**	1,033,436	**479,987**	384,995	**363,468**	350,453	**-**	-	**-**	-	**2,026,366**	1,768,884
Inter-segment revenue	**721,144**	303,969	**2,366**	473	**153,707**	2,735	**667**	1,077	**(877,884)**	(308,254)	**-**	-
Interest income	**40,293**	4,504	**2,092**	3,686	**1,442**	966	**-**	-	**(32,642)**	(3,000)	**11,185**	6,156
Finance costs	**(53,780)**	(13,386)	**(6,199)**	(2,199)	**(6,437)**	(2,640)	**(479)**	(1,316)	**38,562**	3,815	**(28,333)**	(15,726)
Share of results of associates	**6,000**	556	**(379)**	(149)	**-**	700	**22,746**	25,520	**-**	-	**28,367**	26,627
Impairment loss on goodwill	**(14,400)**	(7,200)	**-**	-	**-**	-	**-**	-	**-**	-	**(14,400)**	(7,200)
Net segment assets	**390,086**	374,239	**241,001**	195,755	**161,391**	118,668	**102,902**	98,510	**(255,404)**	(228,107)	**639,976**	559,065

27. Operating segments (cont'd)

Geographical segments

The infrastructure construction segment is operating mainly in Malaysia, Qatar, Singapore and Cambodia. The cranes segment is managed on a worldwide basis with its head office in Malaysia. The cranes segment has manufacturing plants in Malaysia, Australia, United States of America and Denmark. The marine ship building and ship repair segment operates in Malaysia. The airport concession segment is managed in Cambodia and the road maintenance concession works are carried out in the central region of Peninsular Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the respective principal operations.

	Inside Malaysia		Outside Malaysia		Eliminations		Consolidated	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Geographical information								
Revenue	**1,986,155**	1,493,154	**918,095**	583,984	**(877,884)**	(308,254)	**2,026,366**	1,768,884
Total assets	**2,803,400**	2,699,658	**1,038,925**	836,522	**(953,402)**	(827,375)	**2,888,923**	2,708,805

28. Capital commitments

There are no material capital commitments of Group and Company contracted but not provided for.

29. Financial instruments

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The exposure to credit risk is monitored by the management on an ongoing basis.

At the end of the reporting period, there were no significant concentrations of credit risk other than the amount due from a trade debtor of RM395 million (2010: RM370.80 million) as mentioned in Note 7 to the financial statements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

29. Financial instruments (cont'd)

Credit risk (cont'd)

The exposure of credit risk for trade receivables by geographical region is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Asia	**617,836**	547,815
Europe	**15,666**	36,511
America	**31,110**	29,119
Middle East	**114,574**	180,868
Africa	**2,551**	4,640
	781,737	798,953

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment RM'000	Net RM'000
2011			
Not past due	**311,946**	**-**	**311,946**
Past due 0 – 90 days	**75,213**	**-**	**75,213**
Past due 91 – 180 days	**22,070**	**-**	**22,070**
Past due more than 180 days	**400,452**	**(27,944)**	**372,508**
	809,681	**(27,944)**	**781,737**

Group	Gross RM'000	Impairment RM'000	Net RM'000
2010			
Not past due	325,324	-	325,324
Past due 0 – 90 days	90,426	-	90,426
Past due 91 – 180 days	81,629	-	81,629
Past due more than 180 days	322,330	(20,756)	301,574
	819,709	(20,756)	798,953

29. Financial instruments (cont'd)

Impairment losses

The movements in the allowance for impairment losses of trade receivables during the year were:

	Group	
	2011 RM'000	**2010 RM'000**
At 1 January	**20,756**	9,644
Impairment loss recognised	**19,971**	13,536
Reversal of impairment loss	**(12,813)**	(2,394)
Exchange difference	**30**	(30)
At 31 December	**27,944**	20,756

Company	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2011			
Not past due	**292,848**	**-**	**292,848**
Past due 0 – 90 days	**46,137**	**-**	**46,137**
Past due 91 – 180 days	**12,492**	**-**	**12,492**
Past due more than 180 days	**424,746**	**(40,821)**	**383,925**
	776,223	**(40,821)**	**735,402**

Company	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
2010			
Not past due	277,503	-	277,503
Past due 0 – 90 days	138,283	-	138,283
Past due 91 – 180 days	4,054	-	4,054
Past due more than 180 days	446,343	(39,005)	407,338
	866,183	(39,005)	827,178

29. Financial instruments (cont'd)

Impairment losses (cont'd)

The movements in the allowance for impairment losses of trade receivables during the year were:

	Company	
	2011 RM'000	**2010 RM'000**
At 1 January	**39,005**	26,032
Impairment loss recognised	**12,882**	12,973
Reversal of impairment loss	**(11,066)**	-
At 31 December	**40,821**	39,005

The Group's trade receivables as at 31 December 2011 with total carrying amount of RM781,737,000 (2010 – RM798,953,000) have been provided for impairment (net of provision for impairment). For those trade receivables that are not provided for impairment, the Group is satisfied that recovery of the amounts is possible.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the operations and to mitigate the effects of fluctuations in cash flows.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows:

Group 2011	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Secured borrowings						
- Term loans	4.4 – 5.8	**92,045**	**95,459**	**20,252**	**48,321**	**26,886**
- Hire purchase payables	4.3 – 7.2	**492**	**530**	**266**	**264**	**-**
Unsecured borrowings						
- Term loans	3.1 – 3.4	**41,486**	**47,003**	**11,801**	**19,564**	**15,638**
- Bank overdrafts	6.3 – 8.5	**7,407**	**7,417**	**7,417**	**-**	**-**
- Revolving credits	2.5 – 5.9	**175,788**	**175,810**	**175,810**	**-**	**-**
- Bonds	4.2 – 4.7	**130,000**	**151,105**	**5,810**	**145,295**	**-**
- Insurance premium finance	2.95	**2,569**	**2,628**	**2,628**	**-**	**-**
Unsecured bills payable	3.0 – 5.5	**698,705**	**698,705**	**698,705**	**-**	**-**
Unsecured payables and accruals	-	**744,951**	**744,951**	**729,981**	**-**	**14,970**
		1,893,443	**1,923,608**	**1,652,670**	**213,444**	**57,494**

29. Financial instruments (cont'd)

Liquidity risk (cont'd)

Group 2010	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Secured borrowings						
- Term loans	2.9 – 5.3	111,399	119,470	23,299	65,390	30,781
- Hire purchase payables	2.9 – 7.2	936	936	297	639	-
Unsecured borrowings						
- Term loans	2.4 – 4.0	57,600	64,781	18,150	24,789	21,842
- Bank overdrafts	5.8 – 8.4	8,764	8,770	8,770	-	-
- Revolving credits	2.6 – 5.7	134,372	134,383	134,383	-	-
- Bonds	4.2 – 4.7	130,000	151,105	5,810	145,295	-
- Insurance premium finance	3.06	3,152	3,152	3,152	-	-
Unsecured bills payable	2.2 – 5.3	540,596	540,596	540,596	-	-
Unsecured payables and accruals	-	809,473	809,473	794,149	-	15,324
		1,796,292	1,832,666	1,528,606	236,113	67,947

Company 2011	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Unsecured borrowings						
- Term loans	2.4 - 4.4	**41,486**	**47,003**	**11,801**	**19,564**	**15,638**
- Bank overdrafts	6.6	**1,523**	**1,533**	**1,533**	**-**	**-**
- Revolving credits	3.5 – 5.8	**161,000**	**161,000**	**161,000**	**-**	**-**
- Bonds	4.2 – 4.7	**130,000**	**151,105**	**5,810**	**145,295**	**-**
Unsecured bills payable	3.1 – 4.4	**577,693**	**577,693**	**577,693**	**-**	**-**
Unsecured payables and accruals	-	**333,705**	**333,705**	**333,705**	**-**	**-**
		1,245,407	**1,272,039**	**1,091,542**	**164,859**	**15,638**

29. Financial instruments (cont'd)

Liquidity risk (cont'd)

Company 2010	Effective interest rate %	Carrying amount RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000
Unsecured borrowings						
- Term loans	2.4 - 4.2	56,148	63,306	16,676	24,789	21,841
- Bank overdrafts	5.8 – 6.8	177	178	178	-	-
- Revolving credits	3.5 – 4.2	118,000	118,000	118,000	-	-
- Bonds	4.2 – 4.7	130,000	151,105	5,810	145,295	-
Unsecured bills payable	2.5 – 4.1	501,516	501,516	501,516	-	-
Unsecured payables and accruals	-	478,886	478,886	478,886	-	-
		1,284,727	1,312,991	1,121,066	170,084	21,841

Interest rate risk

The Group and the Company borrow to fund the acquisition of property, plant and equipment and for working capital purposes from banks and financial institutions, and have fixed deposits placed with licensed banks. Interest rate exposure is managed through the use of fixed and floating rate debts.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the end of the reporting period and the periods in which they mature, or if earlier, reprice.

Group		2011			2010	
	Effective interest rate %	Total RM'000	Less than 1 year RM'000	Effective interest rate %	Total RM'000	Less than 1 year RM'000
Financial assets						
Deposits placed with licensed banks	0.6 - 5.9	**98,233**	**98,233**	0.6 - 5.6	47,148	47,148
Financial liabilities						
Secured borrowings						
- Term loans	4.4 – 5.8	**92,045**	**92,045**	2.9 - 5.3	111,399	111,399
- Hire purchase payables	4.3 – 7.2	**492**	**492**	2.9 – 7.2	936	936
Unsecured borrowings						
- Term loans	3.1 – 3.4	**41,486**	**41,486**	2.4 – 4.0	57,600	57,600
- Bank overdrafts	6.3 – 8.5	**7,407**	**7,407**	5.8 – 8.4	8,764	8,764
- Revolving credits	2.5 – 5.9	**175,788**	**175,788**	2.6 – 5.7	134,372	134,372
- Bonds	4.2 – 4.7	**130,000**	**130,000**	4.2 – 4.7	130,000	130,000
- Insurance premium finance	2.95	**2,569**	**2,569**	3.06	3,152	3,152
Unsecured bills payable	3.0 – 5.5	**698,705**	**698,705**	2.2 – 5.3	540,596	540,596
		1,148,492	**1,148,492**		986,819	986,819

29. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

Company		2011			2010	
	Effective interest rate %	Total RM'000	Less than 1 year RM'000	Effective interest rate %	Total RM'000	Less than 1 year RM'000
Financial assets						
Deposits placed with licensed banks	2.8 – 3.1	**10,969**	**10,969**	1.6 - 2.0	3,663	3,663
Financial liabilities						
Unsecured borrowings						
- Term loans	2.4 – 4.4	**41,486**	**41,486**	2.4 – 4.2	56,148	56,148
- Bank overdrafts	6.6	**1,523**	**1,523**	5.8 – 6.8	177	177
- Revolving credits	3.5 – 5.8	**161,000**	**161,000**	3.5 – 4.2	118,000	118,000
- Bonds	4.2 – 4.7	**130,000**	**130,000**	4.2 – 4.7	130,000	130,000
Unsecured bills payable	3.1 – 4.4	**577,693**	**577,693**	2.5 – 4.1	501,516	501,516
		911,702	**911,702**		805,841	805,841

Interest rate risk sensitivity analysis

If interest rates as at the end of the reporting period increase by 100 basis points (bp) with all other variables being held constant, the Group's and Company's profit after taxation would have decreased by RM5,253,000 (2010- RM3,492,000) and RM3,807,000 (2010- RM1,576,000) . A 100 bp decrease would have had an equal but opposite effect on the profit after taxation.

Foreign currency risk

The currencies giving rise to this risk are primarily US Dollar, AUD Dollar, Qatari Riyal, SGD Dollar, EURO, Chinese Renminbi, Sudanese Pound, UAE Dirham and Norwegian Krone.

The Group and the Company hold derivative financial instruments to hedge their foreign currency risk exposures. The exposure to foreign currency risk of the Group and of the Company is monitored by the management from time to time.

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

29. Financial instruments (cont'd)

Foreign currency risk (cont'd)

The Group's exposure to major foreign currency is as follows:

Group 2011	USD RM'000	Euro RM'000	AUD RM'000	RMB RM'000	SGD RM'000
Financial assets	**154,291**	**7,648**	**71,940**	**16,172**	**29,201**
Financial liabilities	**(120,857)**	**(18,027)**	**(68,044)**	**(22,809)**	**(27,860)**
Net financial assets/(liabilities)	**33,434**	**(10,379)**	**3,896**	**(6,637)**	**1,341**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**(33,180)**	**(3,011)**	**8,837**	**(8,892)**	**9,211**
Less: Forward foreign currency contracts (contracted notional principal)	**(263,227)**	**(46,847)**	**-**	**-**	**(162,500)**
Net currency exposure	**(262,973)**	**(60,237)**	**12,733**	**(15,529)**	**(151,948)**

2010	USD RM'000	Euro RM'000	NOK RM'000	QAR RM'000	SGD RM'000
Financial assets	192,040	44,462	-	136,233	71,749
Financial liabilities	(100,556)	(29,978)	(1,335)	(108,290)	(25,051)
Net financial assets/(liabilities)	91,484	14,484	(1,335)	27,943	46,698
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(22,954)	(6,729)	-	(9,761)	(3,075)
Less: Forward foreign currency contracts (contracted notional principal)	(360,132)	(97,598)	18,314	-	(72,153)
Net currency exposure	(291,602)	(89,843)	16,979	18,182	(28,530)

29. Financial instruments (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation

2011	USD RM'000	Euro RM'000	AUD RM'000	RMB RM'000	SGD RM'000
- strengthened by 5%	**(9,861)**	**(2,259)**	**477**	**(582)**	**(5,698)**
- weakened by 5%	**9,861**	**2,259**	**(477)**	**582**	**5,698**

2010	USD RM'000	Euro RM'000	NOK RM'000	QAR RM'000	SGD RM'000
- strengthened by 5%	(10,935)	(3,369)	637	682	(1,070)
- weakened by 5%	10,935	3,369	(637)	(682)	1,070

The Company's exposure to major foreign currency is as follows:

Company 2011	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
Financial assets	**38,495**	**2**	**695**	**1,543**	**149,739**
Financial liabilities	**(57,435)**	**(193)**	**(2,394)**	**(5,009)**	**(154,639)**
Net financial assets/(liabilities)	**(18,940)**	**(191)**	**(1,699)**	**(3,466)**	**(4,900)**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**-**	**-**	**-**	**-**	**4,900**
Less: Forward foreign currency contracts (contracted notional principal)	**(94,558)**	**(41,290)**	**-**	**-**	**-**
Net currency exposure	**(113,498)**	**(41,481)**	**(1,699)**	**(3,466)**	**-**

29. Financial instruments (cont'd)

Foreign currency risk (cont'd)

2010	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
Financial assets	102,098	1,978	-	3,343	136,233
Financial liabilities	(35,528)	(18,483)	(1,663)	(7,030)	(108,290)
Net financial assets/(liabilities)	66,570	(16,505)	(1,663)	(3,687)	27,943
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	-	-	-	-	(27,868)
Less: Forward foreign currency contracts (contracted notional principal)	(220,329)	(105,735)	-	-	-
Net currency exposure	(153,759)	(122,240)	(1,663)	(3,687)	75

Sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

Effects on profit after taxation

	USD RM'000	Euro RM'000	AUD RM'000	SGD RM'000	QAR RM'000
2011					
- strengthened by 5%	**(4,256)**	**(1,556)**	**(64)**	**(130)**	**-**
- weakened by 5%	**4,256**	**1,556**	**64**	**130**	**-**
2010					
- strengthened by 5%	(6,539)	(22,342)	(83)	(286)	4
- weakened by 5%	6,539	22,342	83	286	(4)

29. Financial instruments (cont'd)

Fair values

Recognised financial instruments

The carrying amounts of the financial assets and financial liabilities reported in the financial statements approximated their fair values except for the following:

Company	2011 Carrying amount RM'000	2011 Fair value RM'000	2010 Carrying amount RM'000	2010 Fair value RM'000
Financial assets				
Quoted shares - long-term	**50,572**	**121,466**	49,000	102,900

For those financial assets and financial liabilities that is impractical to establish the market value or fair value, are carried at cost less impairment, if any.

Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group 2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Forward exchange contracts	**6,438**	-	-	**6,438**
Financial liabilities				
Forward exchange contracts	-	-	-	-

Company 2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Forward exchange contracts	**3,449**	-	-	**3,449**
Financial liabilities				
Forward exchange contracts	-	-	-	-

30. Contingent liabilities - unsecured

	Company	
	2011 RM'000	**2010 RM'000**
Corporate guarantees		
Corporate guarantees to licensed banks for credit facilities granted to subsidiaries	**169,047**	156,064

In the ordinary course of business, the Group and the Company also issue bank and performance guarantees to customers who awarded contracts to the Group.

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 5).

Contingent liabilities - litigation (Group)

a) Litigation against the Company, its subsidiary Favelle Favco Berhad ("FFB") and FFB's subsidiary Favelle Favco Cranes (USA) Inc. ("FFCUSA") in the Supreme Court of the State of New York

A composition of personal injury actions, wrongful death actions, property damages actions, subrogation actions and lien actions ("the Suit") related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York has been filed against the Company, FFB and FFCUSA.

The Suit relates to an incident involving the collapse of a Favelle Favco crane said to be caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration ("OSHA") found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The Company's, FFB's and FFCUSA's inclusion in the Suit is purported simply to be by reason that the crane was a Favelle Favco crane.

The Suit remains ongoing and the Company's, FFB's and FFCUSA's management are of the opinion that it is premature to assess the outcome of the actions at this point in time.

b) Litigation against a subsidiary, Kroll Cranes A/S ("Kroll")

The case instituted by Abriaco Investments Ltd ("AIL") for alleged losses suffered against Kroll before the Canadian courts, has been fully and finally settled.

c) Litigation against a subsidiary, Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York, County of New York

Favelle Favco Cranes (USA) Inc. ("FFCUSA") has been named as a defendant in connection with a lawsuit placed by Mr. Robert Paranella, who is claiming personal injuries resulting from an accident while descending a ladder on a crane. The plaintiff has alleged claims of general negligence and Labor Law claims. Based on the claim as it is, the management believes FFCUSA cannot be held liable.

The case is currently in its discovery phase and it is too early to determine whether or not Mr. Paranella's claims have any merit.

30. Contingent liabilities - unsecured (cont'd)

Contingent liabilities - litigation (Group) (cont'd)

d) QSA Marine Logistics Pte Ltd ("QSA") v. MEB

QSA filed a Statement of Claim on 8 December 2010 in Singapore against the Company for alleged breach of a bareboat charter party contract entered into between the two parties for the charter of a barge by the Company from QSA (disponent owner of the said barge). The Company lodged a Statement of Defence on 4 March 2011. The claim in total is equivalent to approximately RM7.50 million. No hearing dates for the arbitration have been fixed. The Company's solicitors are of the view that the Company has a good defence to the claim. Further to the arbitration proceedings in Singapore, the Company has been named as a third party by the owners of the said barge in the High Court of Malaya at Shah Alam for a similar claim which the Company intends to vigorously defend the same.

e) Muhibbah-LTAT JV (the "Joint Venture") v. Government Of Malaysia

The Government of Malaysia vide the Ministry of Defence ("GOM") was the Owner for the project known as "Design, Construction, Completion, Commissioning, Equipping and Maintenance of the Proposed Royal Malaysian Naval Base at Teluk Sepangar, Kota Kinabalu Sabah" ("the Project"). GOM had appointed the Joint Venture of which Muhibbah Engineering (M) Bhd ("MEB") and Lembaga Tabung Angkatan Tentera ("LTAT") [collectively referred to as the "Joint Venture"] had 51% and 49% interest respectively, to execute the works for the Project in 2001. The Project was completed in 2007. However there are claims arising from the Project that are yet to be paid by GOM. The Joint Venture has therefore commenced arbitration against GOM for claims amounting to approximately RM26 million.

Should the said arbitration be successful, it will have a positive financial impact to the MEB Group.

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

The Company has commenced court proceedings against ZAQ, the managing contractor for the project known as "The Procurement, Construction and Commissioning of a Petroleum Hub at the Reclaimed Island Off Tanjung Bin, Johor" for Asia Petroleum Hub Sdn Bhd ("the Project") to recover outstanding claims of approximately RM381 million due and owing by ZAQ to the Company, under the Sub-Contract for the Project.

31. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 5) and its associates (see Note 6).

31. Related parties (cont'd)

The significant related party transactions of the Group and of the Company, other than key management personnel compensation are as follows:

	Company	
	2011 RM'000	2010 RM'000
Significant transactions with subsidiaries:		
Gross dividend income receivable	**(71,171)**	(59,352)
Interest income receivable	**(2,530)**	(1,750)
Progress billings receivable	**-**	(9,350)
Purchase of materials and services	**515,516**	132,453
Rental expense	**35,243**	30,675
Purchase of property, plant and equipment	**80,030**	-
Rental income receivable	**(721)**	(675)
Sale of property, plant and equipment	**(234)**	(11,105)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Significant transactions with associates:				
Gross dividend income receivable	**(25,074)**	(20,714)	**(13,733)**	(12,683)
Progress billing receivable	**(7)**	(9,141)	**-**	(1,426)
Technical assistance fee receivable	**(5,475)**	(5,152)	**(5,475)**	(4,228)
Purchase of materials, and services	**(66)**	(111)	**6,487**	-
Sale of goods	**(14,743)**	(8,168)	**-**	-

The above transactions have been entered into the natural course of business and have been established under negotiated terms

There are no significant allowance for impairment loss on receivables as at 31 December 2011 in respect of the above significant related party balances except for the receivables from certain subsidiaries and associates; MEB (Thailand) Co. Ltd. of RM2,175,000 (2010 - RM2,130,000), Muhibbah Emirates Contracting L.L.C. of RM1,163,000 (2010 - RM1,840,000), Muhibbah Engineering and Contracting Gulf W.L.L. of NIL (2010 - RM367,000), Muhibbah Construction Pty. Ltd. of RM1,971,000 (2010 – RM1,971,000), Muhibbah Airline Support Industries Sdn. Bhd. of RM315,000 (2010 - RM315,000) and Muhibbah Petrochemical Engineering Sdn. Bhd. of RM26,032,000 (2010 - RM26,032,000).

31. Related parties (cont'd)

The outstanding net amount due from/(to) subsidiaries and associates and joint ventures as at 31 December 2011 are disclosed in Note 7 and Note 18 respectively.

The allowance for impairment loss on receivables in respect of the above significant related party transactions with subsidiaries and associates for the financial year ended 31 December 2011 amounted to RM28,318,000 (2010 - RM28,318,000) and RM3,338,000 (2010 - RM4,337,000) respectively.

32. Realised and unrealised profits/losses

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total retained profits/(accumulated losses) of Muhibbah Engineering (M) Bhd and its subsidiaries:				
- Realised	**166,174**	131,341	**86,385**	80,034
- Unrealised	**(18,710)**	(58,755)	**(15,358)**	(20,712)
Total retained profits/(accumulated losses)	**147,464**	72,586	**71,027**	59,322
from associated companies:				
- Realised	**81,285**	78,080	**-**	-
- Unrealised	**(561)**	(1,981)	**-**	-
Less: Consolidated adjustments	**(43,807)**	(18,390)	**-**	-
Total Group retained profits	**184,381**	130,295	**71,027**	59,322

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 40 to 127 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Mac Ngan Boon @ Mac Yin Boon	**Low Ping Lin**

Klang,

Date: 23 April 2012

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Poh Kwee**, the officer primarily responsible for the financial management of Muhibbah Engineering (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 40 to 127 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Klang on 23 April 2012.

....

Lee Poh Kwee

Before me:

Tee Hsiao Mei
Pesuruhjaya Sumpah Malaysia
(No. B272)

Report on the Financial Statements

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the statements of financial position as at 31 December 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 127, except for the supplementary information set out on Note 32 which is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

1. Trade Receivables

   As mentioned in Note 7 to the financial statements, included in trade receivables are certified progress claims in relation to works performed by the Company for the engineering, construction, installation, commissioning and completion of a bunkering facility for a project known as the Asia Petroleum Hub ("APH") amounting to RM395 million. These certified claims have been recognised by the project owner. The APH project is located at Tanjung Bin, Johor and was approved by the Malaysian Government. The project has stalled due to financing difficulties encountered by the project owner.

   In December 2011, a Receiver and Manager ("R&M") was appointed by the financier of the project to facilitate a restructuring exercise to revive the project. According to the R&M, the proposed restructuring scheme is supported by the financier, of which, inter alia, may involve debt to equity conversion and new funds being raised to complete the bunkering facility. For this purpose, the R&M has obtained a restraining order from the court for the restructuring scheme to be finalised and presented for approval.

   The Directors have evaluated the situation and based on the discussions with the relevant parties involved and evidence available including the prospect of the project and proposed restructuring exercise, have reasonable ground to opine that the project is viable and therefore no allowance for impairment loss on this receivable is required.

2. Amount Due From Contract Customers

   As mentioned in Note 11 to the financial statements, the amount due from contract customers include an interim amount of RM318 million for a substantially completed project. The Company has consulted and engaged an experienced claim consultant to assist the Company to obtain approval for additional claims from the customer. The claim consultant is of the opinion that there are valid grounds for the claims which, inter alia represents works performed in addition to the original scope of the contract and claims that can be recovered in accordance to the law and the terms of the contract and should therefore be approved by the customer. The directors are of the opinion that the claims are recoverable in due course.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

Report on Other Legal and Regulatory Requirements (cont'd)

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 32 on page 127 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm Number: AF 1018
Chartered Accountants

Onn Kien Hoe
1772/11/12(J/PH)
Chartered Accountant

Kuala Lumpur,

Date: 23 April 2012

Top 10 List Properties as at 31 December 2011

No.	Location	Description of Property	Year of Revaluation	Tenure	Land Area	Age of Building	Carrying Value RM'000
1	HS(D) 99546, Lot 104625, Teluk Gedung, Mukim of Klang, District of Klang, Selangor	Office building and factory	2010	Leasehold expiring 2103	148,400 sq.m.	5 years	110,660
2	HSD 123837, Lot 104505, District of Klang, Selangor	4 storey office building, factory and warehouse	2010	Leasehold expiring 2106	86,937 sq.m.	15 years	71,972
3	Lot Nos. 31792 & 31814, Town of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2008	Freehold	68,846 sq.m.	7 years	29,556
4	HS(D) 99547, Lot 104626, Teluk Gedung, Mukim of Klang, District of Klang, Selangor	Factory and workshop	2010	Leasehold expiring 2103	52,490 sq.m	2 years	23,283
5	28, Yarrunga Street, Pestons, NSW 2170, Australia	Office building and factory	2008	Freehold	11.6 acres	43 years	15,382
6	7 AL, Nordkranvej, 2 3540, Lynge DK Denmark	Factory building with office block	2009	Freehold	59,525 sq.m.	42 years	13,611
7	Geran # 26559, Lot 9895, Kg. Jawa, Mukim of Klang, District of Klang, Selangor	Office building and factory	2008	Freehold	5.0 acres	20 years	13,398
8	HS(M) 42560, Lot 129073, Telok Gong, Mukim Klang, Selangor	Vacant land	2010	Leasehold expiring 2104	30,889 sq.m.	NA	12,506
9	Ream, Sihanoukville, Cambodia	Vacant land	2005	Leasehold expiring 2105	23.97 hectare	NA	10,481
10	Lot 17579, Mukim of Kapar, Sungai Rasau Kecil, Selangor	Office building and factory	2008	Freehold	1.57 acres	16 years	9,491

A. Share Capital

Authorised share	:	RM500,000,000
Issued and fully paid-up capital	:	408,213,250 shares
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	One vote per ordinary share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities Held	% of issued capital *
1 – 99	70	0.754	2,113	0.001
100 – 1,000	1,040	11.202	925,129	0.228
1,001 –10,000	5,967	64.272	30,171,150	7.424
10,001 –100,000	1,921	20.692	58,165,794	14.311
100,001 – 20,321,511	284	3.059	228,704,064	56.271
20,321,512 and above	2	0.021	88,462,000	21.765
Total	9,284	100.000	406,430,250	100.000

Note:

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 April 2012.*

Directors' Shareholdings as per Register of Directors' Shareholdings as at 30 April 2012

Name	Direct Interest	%*	Indirect Interest	%*
Tuan Haji Mohamed Taib bin Ibrahim	7,543,392	1.856	153,750[(a)]	0.038
Datuk Zakaria bin Abdul Hamid	16,000	0.004	-	-
Mac Ngan Boon @ Mac Yin Boon	70,641,416[(b)]	17.381	24,872,500[(a)]	6.120
Ooi Sen Eng	13,045,066	3.210	-	-
Low Ping Lin	3,050,500	0.751	-	-
Lim Teik Hin	-	-	50,000[(c)]	0.012
Mac Chung Jin	5,210,000	1.282	-	-

Notes:-

(a) Deemed interest by virtue of the shares held by spouse and children pursuant to Section 134(12)(c) of the Companies Act, 1965.

(b) Certain shares are registered under EB Nominees (Tempatan) Sendirian Berhad, Maybank Securities Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd.

(c) Deemed interest by virtue of the shares held by spouse pursuant to Section 134(12)(c) of the Companies Act, 1965.

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 April 2012.*

Shares in related corporation

There is no change in the deemed interest of directors in related companies as disclosed in the Directors' Report for the year ended 31 December 2011 on page 37 of this Annual Report.

Options in the Company

There is no change in the employees share options held by the Directors in the Company as disclosed in Directors' Report for the year ended 31 December 2011 on page 37 of this Annual Report.

Substantial Shareholders as per Register of Substantial Shareholders as at 30 April 2012

Name	Direct Interest	%*	Deemed Interest	%
Mac Ngan Boon @ Mac Yin Boon	70,641,416[(a)]	17.381	-	-
Lembaga Tabung Haji	40,112,000[(b)]	9.869	-	-
Oversea - Chinese Banking Corporation Limited	-	-	20,953,900[(c)]	5.156

Notes:-

(a) Certain shares are registered under EB Nominees (Tempatan) Sendirian Berhad, Maybank Securities Nominees (Tempatan) Sdn Bhd and RHB Capital Nominees (Tempatan) Sdn Bhd.

(b) Based on the notice of interest of substantial shareholders pursuant to Section 69 of the Companies Act, 1965 which had been received by the Company.

(c) Deemed interested by virtue of shares held through its subsidiaries pursuant to Section 6A of the Companies Act, 1965.

** Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 April 2012.*

List of 30 Largest Shareholders as at 30 April 2012

No.	Name of Shareholders	No of Shares held	% of issued capital*
1	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Ngan Boon @ Mac Yin Boon	48,350,000	11.896
2	Lembaga Tabung Haji	40,112,000	9.869
3	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	13,222,200	3.253
4	Ooi Sen Eng	13,045,066	3.210
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	12,800,000	3.149
6	Maybank Securities Nominees (Tempatan) Sdn Bhd Chew Keng Siew	10,000,000	2.460
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Noriyati binti Hassan	10,000,000	2.460
8	Mohamed Taib bin Ibrahim	6,349,642	1.562
9	HSBC Nominees (Asing) Sdn Bhd Exempt AN For JPMorgan Chase Bank, National Association (U.S.A.)	6,318,400	1.555
10	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	6,116,100	1.505
11	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	5,535,400	1.362
12	HSBC Nominees (Asing) Sdn Bhd Exempt AN For JPMorgan Chase Bank, National Association (Norges Bk Lend)	5,359,900	1.319
13	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	5,301,600	1.304
14	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	5,002,700	1.231
15	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Hui	5,000,000	1.230
16	Mac Ngan Boon @ Mac Yin Boon	4,841,416	1.191

List of 30 Largest Shareholders as at 30 April 2012(cont'd)

No.	Name of Shareholders	No of Shares held	% of issued capital*
17	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	4,650,000	1.144
18	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Jin	4,250,000	1.046
19	Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA For Fidelity Funds Pacific	4,099,900	1.009
20	Maybank Securities Nominees (Tempatan) Sdn Bhd Mac Chung Lynn	4,000,000	0.984
21	Low Ping Lin	3,050,500	0.751
22	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC / CLNT)	2,724,500	0.670
23	Othman bin Chut	2,288,312	0.563
24	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund SD4N For Government Of The Province Of Alberta	2,137,600	0.526
25	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	1,850,000	0.455
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LBF)	1,822,600	0.448
27	Noriyati binti Hassan	1,503,336	0.370
28	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For HSBC Amanah Lifeselect Equity Fund	1,479,000	0.364
29	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Poh Kwee	1,446,272	0.356
30	Ho Shu Keong	1,419,500	0.349

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 30 April 2012.*

B. Warrant 2010/2015

Outstanding Warrant	:	38,000,000
Issued Price	:	RM0.06 each
Exercise Price	:	RM1.07 each
Expiry Date	:	26 April 2015
Voting rights	:	One vote for each Warrant held

Size of Holdings	No. of Warrant Holders	%	No. of Outstanding Warrant	% of Outstanding Warrant
1 – 99	-	-	-	-
100 – 1,000	-	-	-	-
1,001 –10,000	-	-	-	-
10,001 –100,000	-	-	-	-
100,001 – 1,900,000	-	-	-	-
1,900,001 and above	3	100.000	38,000,000	100.000
Total	3	100.000	38,000,000	100.000

List of Warrants Holders as at 30 April 2012

No	Name of Warrant holders	No of Warrant Held	% of Warrant Held
1	Universal Capital Resources Sdn Bhd	18,000,000	47.368
2	Transasia Assets Sdn Bhd	10,000,000	26.316
3	Harmony Effective Sdn Bhd	10,000,000	26.316
	Total	38,000,000	100.000

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MUHIBBAH ENGINEERING (M) BHD
(12737-K)

Proxy Form

Number of Shares Held

*I/*We ______________________________ NRIC No. (New) ______________ (old) ______________

of ____

being a member/members of **Muhibbah Engineering (M) Bhd.**, hereby appoint the Chairman of the Meeting or Mr/Ms ________

______________________________ NRIC No. (New) ______________ (old) ______________

of ____

or failing whom, ______________________________ NRIC No. (New) ______________ (old) ______________

of ____

as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Thirty-Ninth Annual General Meeting of the Company which is to be held at Kayangan Ballroom, Quality Hotel Shah Alam, Ground Floor, Plaza Perangsang, Persiaran Perbandaran, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 28 June 2012 at 3.45 p.m. and at any adjournment thereof.

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows :

Proxy 1	%
Proxy 2	%
	100%

*My/*Our proxy(ies) is/are to vote as indicated below:

Resolution No	Ordinary Business :	For	Against
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2011 and the Reports of the Directors and Auditors thereon.		
2.	To approve a First and Final Dividend of 10% less 25% income tax in respect of the financial year ended 31 December 2011.		
3.	To re-elect Mac Ngan Boon @ Mac Yin Boon as Director.		
4.	To re-elect Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar as Director.		
5.	To re-appoint Tuan Haji Mohamed Taib bin Ibrahim as Director.		
6.	To re-appoint Ooi Sen Eng as Director.		
7.	To re-appoint Lim Teik Hin as Director.		
8.	To re-appoint Messrs. Crowe Horwath as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
	Special Business :		
9.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
10.	To approve the Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2012

....
[Signature/Common Seal of Shareholder(s)]

[* Delete if not applicable]

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

2. A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of one hundred (100) shares.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The duly completed Form of Proxy must be deposited at the Share Registrar's Office, Tricor Investor Services Sdn Bhd, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, at least forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Affix
Stamp
Here

Muhibbah Engineering (M) Bhd (12737-K)

Share Registrar

Tricor Investor Services Sdn Bhd

Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia