

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

**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP**  
**FOR THE PERIOD ENDED 30 JUNE 2007 (2ND QUARTER)**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

|   | <b>UNAUDITED<br/>AS AT<br/>30.6.2007<br/>RM'000</b> | <b>AUDITED<br/>AS AT<br/>31.12.2006<br/>RM'000</b> |
|---|---|--|
| <b>Assets</b>                           |   |  |
| Property, plant and equipment           | 315,250   | 275,840  |
| Prepaid lease payments                  | 33,524  | 33,706   |
| Investment properties                   | 626   | 635  |
| Investments in associates               | 122,245   | 120,966  |
| Other investments                       | 88  | 67   |
| Development costs                       | 4,427   | 5,561  |
| Other intangible assets                 | 978   | 1,103  |
| Deferred tax assets                     | 204   | 204  |
| Long term advance due from an associate | 10,000  | 10,000   |
| Land held for development               | 6,626   | 6,775  |
| <b>Total non-current assets</b>         | 493,968   | 454,857  |
| Prepaid lease payments                  | 446   | 446  |
| Investments in joint ventures           | -   | 234  |
| Receivables, deposits and prepayments   | 433,825   | 339,051  |
| Contract work-in-progress               | 389,448   | 354,795  |
| Inventories                             | 140,602   | 124,938  |
| Current tax assets                      | 1,817   | 5,069  |
| Cash and cash equivalents               | 138,442   | 99,530   |
| <b>Total current assets</b>             | 1,104,580   | 924,063  |
| <b>Total assets</b>                     | 1,598,548   | 1,378,920  |

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**CONDENSED CONSOLIDATED BALANCE SHEETS (continued)**

|  | <b>UNAUDITED<br/>AS AT<br/>30.6.2007<br/>RM'000</b> | <b>AUDITED<br/>AS AT<br/>31.12.2006<br/>RM'000</b> |
|--|---|--|
| <b>Equity</b>  |   |  |
| Share capital  | 149,618   | 149,618  |
| Reserves   | 45,152  | 44,939   |
| Retained earnings  | 159,500   | 126,880  |
| Less: Treasury shares  | (1,454)   | -  |
| <b>Total equity attributable to<br/>shareholders of the Company</b>              | <b>352,816</b>                                      | <b>321,437</b>                                     |
| <b>Minority interest</b>   | <b>64,412</b>                                       | <b>57,575</b>                                      |
| <b>Total Equity</b>  | <b>417,228</b>                                      | <b>379,012</b>                                     |
| <b>Liabilities</b>   |   |  |
| Advances from minority shareholders  | 17,333  | 17,700   |
| Loans and borrowings   | 69,559  | 86,581   |
| Deferred tax liabilities   | 14,871  | 11,664   |
| <b>Total non-current liabilities</b>   | <b>101,763</b>                                      | <b>115,945</b>                                     |
| Payables and accruals  | 386,091   | 322,436  |
| Amount due to contract customers   | 177,447   | 114,322  |
| Bills payables   | 383,506   | 252,763  |
| Loans and borrowings   | 116,250   | 180,829  |
| Tax liabilities  | 8,913   | 6,702  |
| Provisions   | 7,350   | 6,911  |
| <b>Total current liabilities</b>   | <b>1,079,557</b>                                    | <b>883,963</b>                                     |
| <b>Total liabilities</b>   | <b>1,181,320</b>                                    | <b>999,908</b>                                     |
| <b>Total equity and liabilities</b>  | <b>1,598,548</b>                                    | <b>1,378,920</b>                                   |
| <b>Net assets per share attributable<br/>to shareholders of the Company (RM)</b> | <b>2.36</b>   | <b>2.15</b>  |

**The Condensed Consolidated Balance Sheets should be read in conjunction with the  
Annual Financial Report for the year ended 31 December 2006**

**MUHIBBAH ENGINEERING (M) BHD**  
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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP**  
**FOR THE PERIOD ENDED 30 JUNE 2007 (2ND QUARTER)**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

|   | Note | Current/Preceding Qtr Ended |                     | Cumulative Qtr YTD  |                     |
|---|------|-----------------------------|---------------------|---------------------|---------------------|
|   |      | 30.6.2007<br>RM'000         | 30.6.2006<br>RM'000 | 30.6.2007<br>RM'000 | 30.6.2006<br>RM'000 |
| Revenue   |      | 347,358                     | 220,302             | 600,176             | 515,404             |
| Cost of sales and operating expenses  |      | (327,436)                   | (207,250)           | (571,435)           | (495,056)           |
| Other income  |      | 6,528                       | 5,061               | 11,253              | 6,231               |
| <b>Results from operating activities</b>  |      | <b>26,450</b>               | <b>18,113</b>       | <b>39,994</b>       | <b>26,579</b>       |
| Interest income   |      | 620                         | 751                 | 1,219               | 1,192               |
| Finance costs   |      | (3,776)                     | (3,298)             | (7,323)             | (7,597)             |
| <b>Operating profit</b>   |      | <b>23,294</b>               | <b>15,566</b>       | <b>33,890</b>       | <b>20,174</b>       |
| Share of profit after tax and minority interest<br>of equity accounted associates |      | 5,944                       | 3,116               | 14,623              | 9,896               |
| Share of profit/(loss) after tax of joint ventures                                |      | (995)                       | 1,737               | (995)               | 1,678               |
| <b>Profit before tax and exceptional items</b>                                    |      | <b>28,243</b>               | <b>20,419</b>       | <b>47,518</b>       | <b>31,748</b>       |
| Exceptional items   | 5    | -                           | -                   | -                   | -                   |
| <b>Profit before tax</b>  |      | <b>28,243</b>               | <b>20,419</b>       | <b>47,518</b>       | <b>31,748</b>       |
| Tax expense   | 17   | (5,935)                     | (2,758)             | (8,540)             | (3,206)             |
| <b>Profit for the period</b>  |      | <b>22,308</b>               | <b>17,661</b>       | <b>38,978</b>       | <b>28,542</b>       |
| <b>Attributable to:</b>   |      |                             |                     |                     |                     |
| Shareholders of the Company   |      | <b>17,988</b>               | <b>11,141</b>       | <b>32,620</b>       | <b>20,837</b>       |
| Minority interest   |      | 4,320                       | 6,520               | 6,358               | 7,705               |
| <b>Profit for the period</b>  |      | <b>22,308</b>               | <b>17,661</b>       | <b>38,978</b>       | <b>28,542</b>       |
| <b>Earnings per ordinary share</b>  |      |                             |                     |                     |                     |
| Basic (Sen)   | 25   | 12.02                       | 7.61                | 21.80               | 14.33               |
| Diluted (Sen)   | 25   | 11.20                       | 7.59                | 20.31               | 14.28               |

**The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006**

**MUHIBBAH ENGINEERING (M) BHD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2007 (2ND QUARTER)**

|   | ← Attributable to shareholders of the Company → |  |   |                             |                           |  |                             |                        |
|---|---|--|---|-----------------------------|---------------------------|--|-----------------------------|------------------------|
|   | ← Non-distributable →                           |  |   | ← Distributable →           |                           |  |                             |                        |
|   | Share capital<br>RM'000                         | Reserves attributable to capital<br>RM'000 | Reserve attributable to revenue<br>RM'000 | Retained earnings<br>RM'000 | Treasury shares<br>RM'000 | Total equity attributable to shareholders of the Company<br>RM'000 | Minority interest<br>RM'000 | Total equity<br>RM'000 |
| <b>At 1 January 2006</b>  | 144,568   | 32,255                                     | 11,351                                    | 99,065                      | -                         | 287,239  | 12,078                      | 299,317                |
| Issuance of shares  | 4,349   | -  | -   | -                           | -                         | 4,349  | -                           | 4,349                  |
| Exchange differences on translation of the financial statements of foreign entities | -   | -  | 2,439                                     | -                           | -                         | 2,439  | -                           | 2,439                  |
| Dividends paid  | -   | -  | -   | -                           | -                         | -  | (3,200)                     | (3,200)                |
| Profit for the period   | -   | -  | -   | 20,837                      | -                         | 20,837   | 7,705                       | 28,542                 |
| <b>At 30 June 2006</b>  | <u>148,917</u>                                  | <u>32,255</u>                              | <u>13,790</u>                             | <u>119,902</u>              | <u>-</u>                  | <u>314,864</u>   | <u>16,583</u>               | <u>331,447</u>         |
| <b>At 1 January 2007</b>  | 149,618   | 34,097                                     | 10,842                                    | 126,880                     | -                         | 321,437  | 57,575                      | 379,012                |
| Share-based payments  | -   | 1,443                                      | -   | -                           | -                         | 1,443  | 136                         | 1,579                  |
| Shares repurchased  | -   | -  | -   | -                           | (1,454)                   | (1,454)  | -                           | (1,454)                |
| Exchange differences on translation of the financial statements of foreign entities | -   | -  | (1,230)                                   | -                           | -                         | (1,230)  | 343                         | (887)                  |
| Profit for the period   | -   | -  | -   | 32,620                      | -                         | 32,620   | 6,358                       | 38,978                 |
| <b>At 30 June 2007</b>  | <u>149,618</u>                                  | <u>35,540</u>                              | <u>9,612</u>                              | <u>159,500</u>              | <u>(1,454)</u>            | <u>352,816</u>   | <u>64,412</u>               | <u>417,228</u>         |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006

**MUHIBBAH ENGINEERING (M) BHD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2007 (2ND QUARTER)**

|   | <b>Unaudited<br/>Quarter YTD<br/>30.6.2007<br/>RM'000</b> | <b>Cumulative<br/>Quarter YTD<br/>30.6.2006<br/>RM'000</b> |
|---|---|--|
| <b>Net cash generated from/(used in) operating activities</b> | 46,010  | (14,223)   |
| <b>Net cash generated from/(used in) investing activities</b> | (43,638)  | 84   |
| <b>Net cash generated from/(used in) financing activities</b> | 62,343  | 32,445   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | 64,715  | 18,306   |
| <b>Cash and cash equivalents at 1 January</b>                 | 53,245  | 85,023   |
| <b>Currency translation differences</b>                       | 225   | 2,474  |
| <b>Cash and cash equivalents at 30 June</b>                   | <b>118,185</b>  | <b>105,803</b>   |

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

|   | <b>30.6.2007<br/>RM'000</b> | <b>30.6.2006<br/>RM'000</b> |
|---|-----------------------------|-----------------------------|
| Cash and bank balances                      | 77,688                      | 83,691                      |
| Deposits placed with licensed banks         | 60,754                      | 46,699                      |
| Cash and cash equivalents per balance sheet | 138,442                     | 130,390                     |
| Bank overdrafts                             | (20,257)                    | (24,587)                    |
|   | <b>118,185</b>              | <b>105,803</b>              |

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual  
Financial Report for the year ended 31 December 2006**

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP**  
**FOR THE PERIOD ENDED 30 JUNE 2007 (2ND QUARTER)**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 audited financial statements, except for the adoption of the new/revised FRSs as mentioned in Note 2 below.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006.

**2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted by the Group are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following Financial Reporting Standards ("FRS") as per the requirement of Malaysian Accounting Standards Board for financial period beginning 1 January 2007:

|                                      |   |
|--------------------------------------|---|
| FRS 124                              | Related Party Disclosures   |
| Amendment to FRS 119 <sup>2004</sup> | Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures |

The adoption of the abovementioned FRSs during the financial period does not have significant impact on the financial statements of the Group.

The following FRSs were adopted by the Group during the financial year ended 31 December 2006:

|         |  |
|---------|--|
| FRS 2   | Share-based payment                                  |
| FRS 101 | Presentation of financial statements                 |
| FRS 102 | Inventories  |
| FRS 108 | Accounting policies, changes in estimates and errors |
| FRS 110 | Events after the balance sheet date                  |
| FRS 116 | Property, plant and equipment                        |
| FRS 117 | Leases   |
| FRS 121 | The effects of changes in foreign exchange rates     |
| FRS 127 | Consolidated and separate financial statements       |
| FRS 128 | Investments in associates                            |
| FRS 131 | Investments in joint ventures                        |
| FRS 132 | Financial instruments: disclosure and presentation   |
| FRS 133 | Earnings per share                                   |
| FRS 140 | Investment property                                  |

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**2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

The following FRSs were adopted by the Group during the financial year ended 31 December 2005:

|         |                       |
|---------|-----------------------|
| FRS 3   | Business combinations |
| FRS 136 | Impairment of assets  |
| FRS 138 | Intangible assets     |

**3. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS**

The audited financial statements of the Company for the preceding year ended 31 December 2006 were not subject to any qualification.

**4. EXPLANATORY COMMENT ON SEASONALITY OR CYCLICALITY**

The Group does not experience material seasonality or cyclicity activity fluctuation on quarterly basis except for the Concessions Division whereby the international tourists arrival to visit Angkor Wat in Cambodia usually increases in the second half of the year in conjunction with summer and year end holidays.

**5. EXCEPTIONAL/UNUSUAL ITEMS**

There are no exceptional/unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter.

**6. CHANGE IN ESTIMATES**

There are no material changes in estimates of amounts that have material effect in the current quarter.

**7. DEBT AND EQUITY SECURITIES**

**Treasury Shares**

During the current quarter, the Company purchased 215,000 of its issued ordinary shares of RM1.00 each from the open market for a total consideration including transaction costs totalling RM1.454 million at an average price of RM6.71 per share. The buy back transaction was financed by internally generated funds. The shares purchased are held as treasury shares in accordance with Section 67A of the Companies Act 1965. None of the treasury shares held are resold or cancelled during the period ended 30 June 2007.

Other than as mentioned above, there are no issuances, cancellation, resale or repayment of debts and equity securities for the current quarter.

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**8. SEGMENTAL INFORMATION**

|   | <b>Infrastructure<br/>Construction<br/>RM'000</b> | <b>Cranes<br/>RM'000</b> | <b>Marine-<br/>Ship Repair<br/>and Ship<br/>Building<br/>RM'000</b> | <b>Concess-<br/>ions<br/>RM'000</b> | <b>Conso-<br/>lidated<br/>RM'000</b> |
|---|---|--------------------------|---|-------------------------------------|--------------------------------------|
| <b>BUSINESS SEGMENTS</b>  |   |                          |   |                                     |                                      |
| <b>Revenue from external customers</b>  | <b>316,949</b>                                    | <b>196,028</b>           | <b>87,199</b>   | <b>-</b>                            | <b>600,176</b>                       |
| <b>Operating profit/(loss)</b>  | <b>16,284</b>                                     | <b>13,971</b>            | <b>9,745</b>  | <b>-</b>                            | <b>40,000</b>                        |
| Interest income   | 635   | 584                      | -   | -                                   | 1,219                                |
| Finance costs   | (1,449)   | (4,219)                  | (1,342)   | (319)                               | (7,329)                              |
| Share of profit/(loss) after tax and minority interest of equity accounted associates | 1,047   | (25)                     | -   | 13,601                              | 14,623                               |
| Share of loss after tax of joint ventures   | (995)   | -                        | -   | -                                   | (995)                                |
| <b>Profit before tax</b>  | <b>15,522</b>                                     | <b>10,311</b>            | <b>8,403</b>  | <b>13,282</b>                       | <b>47,518</b>                        |
| Segment assets  | 786,043   | 472,772                  | 207,412   | 10,076                              | 1,476,303                            |
| Investments in associates   | 24,359  | 91                       | -   | 97,795                              | 122,245                              |
| Investments in joint ventures   | -   | -                        | -   | -                                   | -                                    |
| <b>Total assets</b>   | <b>810,402</b>                                    | <b>472,863</b>           | <b>207,412</b>  | <b>107,871</b>                      | <b>1,598,548</b>                     |
| <b>Total liabilities</b>  | <b>(680,353)</b>                                  | <b>(349,065)</b>         | <b>(144,529)</b>  | <b>(7,373)</b>                      | <b>(1,181,320)</b>                   |
| <b>Total equity</b>   | <b>130,049</b>                                    | <b>123,798</b>           | <b>62,883</b>   | <b>100,498</b>                      | <b>417,228</b>                       |
| <b>Profit before tax on total equity (6 months)</b>                                   | <b>11.9%</b>                                      | <b>8.3%</b>              | <b>13.4%</b>  | <b>13.2%</b>                        | <b>11.4%</b>                         |



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**8. SEGMENTAL INFORMATION (CONTINUED)**

|  | <b>Inside<br/>Malaysia<br/>RM'000</b> | <b>Outside<br/>Malaysia<br/>RM'000</b> | <b>Conso-<br/>lidated<br/>RM'000</b> |
|--|---------------------------------------|--|--------------------------------------|
| <b>GEOGRAPHICAL SEGMENTS</b>   |                                       |  |                                      |
| <b>Revenue from external customers</b>   | <b>288,168</b>                        | <b>312,008</b>                         | <b>600,176</b>                       |
| <b>Operating profit</b>  | <b>8,629</b>                          | <b>31,365</b>                          | <b>39,994</b>                        |
| Interest income  | 768                                   | 451                                    | 1,219                                |
| Finance costs  | (6,762)                               | (561)                                  | (7,323)                              |
| Share of profit after tax<br>and minority interest of equity<br>accounted associates | 4,468                                 | 10,155                                 | 14,623                               |
| Share of loss after<br>tax of joint ventures   | (995)                                 | -                                      | (995)                                |
| <b>Profit before tax</b>   | <b>6,108</b>                          | <b>41,410</b>                          | <b>47,518</b>                        |
| Segment assets   | 962,538                               | 513,765                                | 1,476,303                            |
| Investments in associates  | 33,693                                | 88,552                                 | 122,245                              |
| Investments in joint ventures  | -                                     | -                                      | -                                    |
| <b>Total assets</b>  | <b>996,231</b>                        | <b>602,317</b>                         | <b>1,598,548</b>                     |
| <b>Total liabilities</b>   | <b>(845,775)</b>                      | <b>(335,545)</b>                       | <b>(1,181,320)</b>                   |
| <b>Total equity</b>  | <b>150,456</b>                        | <b>266,772</b>                         | <b>417,228</b>                       |
| <b>Profit before tax on total equity<br/>(6 months)</b>                              | <b>4.1%</b>                           | <b>15.5%</b>                           | <b>11.4%</b>                         |

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**9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment of the Group and the Company are stated at cost less accumulated depreciation and accumulated impairment losses, if any. None of the property, plant and equipment are stated at valuation.

**10. MATERIAL SUBSEQUENT EVENT**

There is no material subsequent event from the end of the quarter to 21 May 2007.

**11. MATERIAL CHANGES IN THE GROUP'S COMPOSITION**

There are no material changes in the Group's composition during the period.

**12. CONTINGENT LIABILITIES/ASSETS AS AT 31 MARCH 2007**

|   |                                 |
|---|---------------------------------|
| Corporate guarantee for credit facilities granted to subsidiary companies | <b>RM'000</b><br><u>219,313</u> |
|---|---------------------------------|

There are no contingent assets as at 30 June 2007.

**13. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2007 vs Q1 2007)**

The Group generated a consolidated revenue of RM347.4 million for the quarter under review as compared to RM252.8 million consolidated revenue in the first quarter of year 2007, representing an increase of 37.4% in the consolidated revenue during the current quarter.

The Group recorded a consolidated profit before tax of RM28.2 million for the quarter under review as compared to RM19.3 million in the first quarter of year 2007, representing an increase of 46.1% in the consolidated profit before tax during the current quarter.

The increase in both consolidated revenue and profit before tax of the Group generated for the quarter under review was contributed mainly from the Infrastructure Construction Division with the commencement of physical construction work for the Yemen LNG Jetty project and higher income from the Cranes and Shipyard Divisions.

**14. REVIEW OF GROUP PERFORMANCE (YTD Q2 2007 vs YTD Q2 2006)**

**a) Consolidated Revenue**

The Group generated a consolidated revenue of RM600.2 million for the period ended 30 June 2007, as compared to RM515.4 million consolidated revenue for the period ended 30 June 2006, representing an increase of 16.5% in the consolidated revenue for the period ended 30 June 2007.

**b) Consolidated Profit Before Tax**

The Group recorded a consolidated profit before tax of RM47.5 million for the period ended 30 June 2007 as compared to RM31.7 million for the period ended 30 June 2006, representing an increase of 49.8% in the consolidated profit before tax.

The higher consolidated net profit attributable to the shareholders of the Company was contributed from all the four divisions, namely Infrastructure Construction Division, Cranes Division, Shipyard Division and Concession Division mainly due to the improvement in performance and operating margin derived from higher revenue with better contract pricing and operational efficiency during the period ended 30 June 2007. The Phnom Penh and Siem Reap international airports in Cambodia also continued to see steady growth in the international passenger arrivals during the period under review.

**15. GROUP'S CURRENT YEAR PROSPECT**

**a) Secured Order Book**

On 6 July 2007, the Infrastructure Construction Division further secured a contract worth RM1.1 billion for the construction of the South Klang Valley Expressway (SKVE). The construction of SKVE is from the Damansara Puchong Highway (LDP) interchange to Pulau Indah.

As at 22 August 2007, the total outstanding secured order book in hand of the Group is RM3.20 billion, comprises of RM2.23 billion from Infrastructure Construction Division, RM573 million from Cranes Division and RM395 million from Shipyard Division, of which approximately 52% of the total Group order book is derived from the oil and gas industry.

**b) Current Year Prospect**

The growth in the Group's order book is mainly from the continuous capital investment in the oil and gas industry and related activities. The activation of Ninth Malaysia Plan has contributed to the growth in the order book of the Group.

In view of the positive economy outlook and continuous oil and gas industry development in the Asia Pacific region, the Group is positioned to further enhance its market and performance.

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**16. PROFIT FORECAST**

The Group has not issued any profit forecast to the relevant authorities and is not subject to any profit guarantee.

**17. TAX EXPENSE**

|                          | <b>Current<br/>Quarter<br/>30.6.2007<br/>RM'000</b> | <b>Cumulative<br/>Qtr To-date<br/>30.6.2007<br/>RM'000</b> |
|--------------------------|---|--|
| Corporate tax expense    |   |  |
| Malaysia - current       | 738   | (666)  |
| Overseas - current       | (4,146)   | (4,212)  |
|                          | (3,408)   | (4,878)  |
| Deferred tax expense     |   |  |
| Malaysia - current       | (1,549)   | (2,671)  |
| Overseas - current       | (978)   | (991)  |
|                          | (2,527)   | (3,662)  |
| <b>Total tax expense</b> | <b>(5,935)</b>                                      | <b>(8,540)</b>   |

The effective tax rate of the Group for the current quarter ended 30 June 2007 and six months period ended 30 June 2007 is lower than the local statutory tax rate mainly due to tax exempt income from pioneer status and investment tax allowances of major subsidiaries granted by the relevant authorities.

**18. PROFIT ON SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES**

There is no profit on sale of unquoted investment and/or properties during the period under review.

**19. SALE/PURCHASE OF QUOTED SECURITIES**

|   | <b>Unaudited<br/>30.6.2007<br/>RM'000</b> |
|---|---|
| Quoted share - at cost                  | 531                                       |
| Less: Allowance for diminution in value | (443)                                     |
| Quoted share - at carrying value        | 88  |
| Market value of quoted shares           | 119                                       |

**20. CORPORATE PROPOSAL**

**(being a date not earlier than seven (7) days from the date of issue of the quarterly report)**

**Corporate Proposals**

**1) Favelle Favco Berhad - Transfer to Main Board of Bursa Malaysia Securities Berhad**

Favelle Favco Berhad, a cranes segment subsidiary of Muhibbah Engineering (M) Bhd was successfully transferred from the Second Board to Main Board of Bursa Malaysia Securities Berhad on 16 August 2007.

**2a) Bonus Issue and Share Split**

- i) Proposed bonus issue of up to 38,605,650 new ordinary shares of RM1.00 each in MEB to be credited as fully paid-up, on the basis of one (1) bonus share for every four (4) existing ordinary shares of RM1.00 each in MEB;
- ii) Proposed share split involving the subdivision of every one (1) existing MEB share into two (2) ordinary shares of RM0.50 each in MEB; and
- iii) Proposed amendments to the memorandum of association and articles of association of MEB

**2b) Approvals Required**

- i) The Securities Commission for the proposed share split
- ii) The Bursa Malaysia Securities Berhad for the proposed share split and the listing of and quotation for the bonus shares and subdivided shares; and
- iii) The shareholders of MEB, for the proposals at an extraordinary general meeting to be convened

**2c) Status**

The approval for the proposed share split and the listing of and quotation for the MEB's subdivided shares to be issued under the proposed share split on the Main Board of Bursa Malaysia Securities Berhad had been granted by Securities Commission vide its letter dated on 3 August 2007.

The approval for the listing and quotation of up to 38,605,650 bonus shares and proposed share split had been granted by the Bursa Malaysia Securities Berhad vide its letter dated 23 August 2007.

Other than as mentioned above, there is no corporate proposal announced which is not completed as at the date of this report.

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**21. GROUP BORROWINGS AND DEBT SECURITIES**

|                                    |  | Foreign currency |                |
|------------------------------------|--|------------------|----------------|
|                                    |  | Currency         | Amount         |
|                                    |  | RM'000           |                |
| a) Short term borrowings           |  |                  |                |
| Secured                            |  | RM               | 11,888         |
|                                    |  | DKK              | 11,995         |
|                                    |  | Sub-total        | 19,373         |
| Unsecured                          |  | RM               | 83,058         |
|                                    |  | SGD              | 2,192          |
|                                    |  | USD              | 1,805          |
|                                    |  | AUD              | 629            |
|                                    |  | Sub-total        | 96,074         |
| b) Hire purchase and finance lease |  | RM               | 596            |
|                                    |  | SGD              | 5              |
|                                    |  | AUD              | 67             |
|                                    |  | Sub-total        | 803            |
| <b>Total short term borrowings</b> |  |                  | <b>116,250</b> |
| a) Long term borrowings            |  |                  |                |
| Secured                            |  | RM               | 56,554         |
|                                    |  | USD              | 1,644          |
|                                    |  | DKK              | 703            |
|                                    |  | Sub-total        | 62,672         |
| Unsecured                          |  | RM               | 5,700          |
|                                    |  | Sub-total        | 5,700          |
| b) Hire purchase and finance lease |  | RM               | 1,046          |
|                                    |  | SGD              | 44             |
|                                    |  | AUD              | 14             |
|                                    |  | Sub-total        | 1,187          |
| <b>Total long term borrowings</b>  |  |                  | <b>69,559</b>  |
| <b>Total borrowings</b>            |  |                  | <b>185,809</b> |

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**22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

The outstanding foreign exchange forward contracts of the Group with maturity date within 1 year, as at 21 August 2007 are as follows:

| ← Principal Foreign Currency → | Amount<br>'000 | Forward<br>Contracted<br>Exchange<br>Rate | Equivalent<br>Currency<br>'000 |
|--------------------------------|----------------|---|--------------------------------|
| <b>Sell:</b>                   |                |   |                                |
| US Dollar                      | USD 327,712    | 3.3704 - 3.5008                           | RM 1,127,320                   |
| US Dollar                      | USD 1,057      | 1.3434                                    | AUD 1,420                      |
| <b>Buy:</b>                    |                |   |                                |
| EURO Dollar                    | EURO 4,439     | 4.5140 - 4.7450                           | RM 20,145                      |

The difference between the above forward foreign exchange contracts and the prevailing exchange rate would be recognised in the income statement upon realisation of the related receipts or payments, or upon maturity, whichever is earlier. There is minimal credit and market risk because the contracts are hedged with reputable banks.

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

**23. LITIGATIONS**

There are no material outstanding litigations that have material effect to the Group as at 21 August 2007.

**24. DIVIDENDS**

The directors do not declare any interim dividend for the financial quarter under review.

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

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**25. EARNING PER SHARE ("EPS")**

a) **Basic EPS**

Basic EPS is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

|  | <b>Current/Preceding<br/>Qtr Ended</b> |                  | <b>Cumulative<br/>Qtr YTD</b> |                  |
|--|--|------------------|-------------------------------|------------------|
|  | <b>30.6.2007</b>                       | <b>30.6.2006</b> | <b>30.6.2007</b>              | <b>30.6.2006</b> |
| Net profit for the period (RM'000)                         | 17,988                                 | 11,141           | 32,620                        | 20,837           |
| Weighted average number of ordinary shares in issue ('000) | 149,611                                | 146,311          | 149,615                       | 145,445          |
| Basic EPS (Sen)  | 12.02                                  | 7.61             | 21.80                         | 14.33            |

b) **Diluted EPS**

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, ie share options granted to employees.

|  | <b>Current/Preceding<br/>Qtr Ended</b> |                  | <b>Cumulative<br/>Qtr YTD</b> |                  |
|--|--|------------------|-------------------------------|------------------|
|  | <b>30.6.2007</b>                       | <b>30.6.2006</b> | <b>30.6.2007</b>              | <b>30.6.2006</b> |
| Net profit for the period (RM'000)   | 17,988                                 | 11,141           | 32,620                        | 20,837           |
| Weighted average number of ordinary shares in issue ('000)                       | 149,611                                | 146,311          | 149,615                       | 145,445          |
| Effect of dilution ('000)  | 11,003                                 | 493              | 11,003                        | 493              |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 160,614                                | 146,804          | 160,618                       | 145,938          |
| Diluted EPS (Sen)  | 11.20                                  | 7.59             | 20.31                         | 14.28            |



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**26. AUTHORISATION FOR ISSUE**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 August 2007.

**ON BEHALF OF THE BOARD**

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**TUAN HAJI MOHAMED TAIB BIN IBRAHIM**  
**Chairman**  
**Klang**  
**28 August 2007**