

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2007 (4TH QUARTER)

CONDENSED CONSOLIDATED BALANCE SHEETS

	UNAUDITED AS AT 31.12.2007 RM'000	AUDITED AS AT 31.12.2006 RM'000
Assets		
Property, plant and equipment	330,388	275,840
Prepaid lease payments	31,981	33,706
Investment properties	586	635
Investments in associates	107,802	120,966
Other investments	114	67
Development costs	3,128	5,561
Other intangible assets	852	1,103
Deferred tax assets	148	204
Long term advance due from an associate	10,000	10,000
Land held for development	6,028	6,775
Total non-current assets	491,027	454,857
Prepaid lease payments	446	446
Investments in joint ventures	1,257	234
Receivables, deposits and prepayments	386,154	339,051
Contract work-in-progress	545,360	354,795
Inventories	157,435	124,938
Current tax assets	1,670	5,069
Cash and cash equivalents	179,560	99,530
Total current assets	1,271,882	924,063
Total assets	1,762,909	1,378,920

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CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	UNAUDITED AS AT 31.12.2007 RM'000	AUDITED AS AT 31.12.2006 RM'000
Equity		
Share capital	191,783	149,618
Reserves	16,596	44,939
Retained earnings	183,699	126,880
Less: Treasury shares	(4,669)	-
Total equity attributable to shareholders of the Company	387,409	321,437
Minority interest	74,481	57,575
Total Equity	461,890	379,012
Liabilities		
Advances from minority shareholders	16,795	17,700
Loans and borrowings	94,949	86,581
Deferred tax liabilities	21,037	11,664
Total non-current liabilities	132,781	115,945
Payables and accruals	436,195	322,436
Amount due to contract customers	157,434	114,322
Bills payables	437,914	252,763
Loans and borrowings	118,975	180,829
Tax liabilities	7,063	6,702
Provisions	10,657	6,911
Total current liabilities	1,168,238	883,963
Total liabilities	1,301,019	999,908
Total equity and liabilities	1,762,909	1,378,920
Net assets per share attributable to shareholders of the Company (RM)	1.01	0.86

**The Condensed Consolidated Balance Sheets 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 YEAR ENDED 31 DECEMBER 2007 (4TH QUARTER)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.12.2007 RM'000	31.12.2006 RM'000	31.12.2007 RM'000	31.12.2006 RM'000
Revenue		418,558	312,663	1,422,001	1,086,414
Cost of sales and operating expenses		(387,892)	(310,164)	(1,346,722)	(1,050,320)
Other income		(2,666)	1,114	9,105	14,067
Results from operating activities		28,000	3,613	84,384	50,161
Interest income		810	512	2,958	2,764
Finance costs		(4,128)	(2,823)	(13,781)	(11,488)
Operating profit		24,682	1,302	73,561	41,437
Share of profit after tax and minority interest of equity accounted associates		7,874	9,442	26,868	28,325
Share of profit/(loss) after tax of joint ventures		(235)	2,396	1,023	4,095
Profit before tax and exceptional items		32,321	13,140	101,452	73,857
Exceptional items	5	-	-	-	(8,766)
Profit before tax		32,321	13,140	101,452	65,091
Tax expense	17	(3,271)	(4,755)	(11,986)	(17,260)
Profit for the period		29,050	8,385	89,466	47,831
Attributable to:					
Shareholders of the Company		19,374	8,760	70,180	33,800
Minority interest		9,676	(375)	19,286	14,031
Profit for the year		29,050	8,385	89,466	47,831
Earnings per ordinary share					
Basic (Sen)	25	5.07	2.34	18.62	9.17
Diluted (Sen)	25	4.81	2.29	17.65	8.98

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 CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (4TH QUARTER)

	Unaudited YTD 31.12.2007 RM'000	Audited YTD 31.12.2006 RM'000
Net cash generated from/(used in) operating activities	66,859	21,356
Net cash generated from/(used in) investing activities	(60,066)	9,433
Net cash generated from/(used in) financing activities	87,234	(65,575)
Net increase/(decrease) in cash and cash equivalents	94,027	(34,786)
Cash and cash equivalents at 1 January	53,245	85,023
Currency translation differences	1,270	3,008
Cash and cash equivalents at 31 December	148,542	53,245

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

	31.12.2007 RM'000	31.12.2006 RM'000
Cash and bank balances	87,355	55,866
Deposits placed with licensed banks	92,205	43,664
Cash and cash equivalents per balance sheet	179,560	99,530
Bank overdrafts	(31,018)	(46,285)
	148,542	53,245

**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 YEAR ENDED 31 DECEMBER 2007 (4TH 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 ²⁰⁰⁴	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of the abovementioned FRSs during the financial year 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 Airport Concession Division experiences a seasonality worldwide passenger arrival at the international airports in Cambodia, whereby the peak seasons are usually from the fourth quarter of the year to the first quarter of the following year. The worldwide passenger arrival largely comprises of international tourists visiting the various prominent local tourist attractions, particularly the UNESCO World Heritage Site of Angkor Wat in Cambodia.

Other than as mentioned above, the Group does not experience material seasonality or cyclicity activity fluctuation on quarterly basis.

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

a) During the fourth quarter ended 31 December 2007, a total of 52,000 new ordinary shares of RM1 each was issued at RM1.28 and a total of 32,000 new ordinary shares of RM0.50 each was issued at RM0.51 pursuant to the exercise of Employees' Share Option Scheme of Muhibbah Engineering (M) Bhd (MEB).

b) On 3 August 2007, an additional 257,000 share options of RM1 each were granted to the eligible employees of the Company under the Employees' Share Option Scheme of Muhibbah Engineering (M) Bhd. The exercise price of each option is RM9.00 being the weighted average closing price of the Company's ordinary shares immediately before the grant. On 2 November 2007, the number of share options granted on 3 August 2007 was revised from 257,000 to 642,500 and the exercise price of the subject share option was revised from RM9.00 to RM3.60 upon the completion of the approved listing and quotation of the bonus issue and subdivision of existing ordinary shares of MEB.

c) On 2 November 2007, a bonus issue of 38,216,275 new ordinary shares of RM1 each in MEB was credited as fully paid-up on the basis of 1 bonus share for every 4 existing ordinary shares of RM1 each in MEB and subdivision of every 1 existing MEB share into 2 ordinary shares of RM0.50 each in MEB. The approved listing and quotation of the bonus issue and subdivision of existing ordinary shares of MEB were completed on 2 November 2007.

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

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8. SEGMENTAL INFORMATION

	Infrastructure Construction RM'000	Cranes RM'000	Marine- Ship Repair and Ship Building RM'000	Concess- ions RM'000	Conso- lidated RM'000
BUSINESS SEGMENTS					
Revenue from external customers	744,753	455,121	222,127	-	1,422,001
Operating profit/(loss)	29,856	28,944	25,857	(273)	84,384
Interest income	1,624	1,334	-	-	2,958
Finance costs	(2,369)	(7,918)	(2,903)	(591)	(13,781)
Share of profit/(loss) after tax and minority interest of equity accounted associates	3,688	(54)	-	23,234	26,868
Share of profit after tax of joint ventures	1,023	-	-	-	1,023
Profit before tax	33,822	22,306	22,954	22,370	101,452
Tax expense	(2,048)	(2,739)	(7,199)	-	(11,986)
Net profit after tax	31,774	19,567	15,755	22,370	89,466
Segment assets	827,573	535,398	279,837	11,042	1,653,850
Investments in associates	14,893	61	-	92,848	107,802
Investments in joint ventures	1,257	-	-	-	1,257
Total assets	843,723	535,459	279,837	103,890	1,762,909
Total liabilities	(686,441)	(399,601)	(208,633)	(6,344)	(1,301,019)
Total equity	157,282	135,858	71,204	97,546	461,890
Return on equity (net profit after tax over total equity - 12 months)	20.2%	14.4%	22.1%	22.9%	19.4%

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8. SEGMENTAL INFORMATION (CONTINUED)

	Inside Malaysia RM'000	Outside Malaysia RM'000	Conso- lidated RM'000
GEOGRAPHICAL SEGMENTS			
Revenue from external customers	698,339	723,662	1,422,001
Operating profit	57,813	26,571	84,384
Interest income	1,945	1,013	2,958
Finance costs	(13,310)	(471)	(13,781)
Share of profit/(loss) after tax and minority interest of equity accounted associates	11,219	15,649	26,868
Share of profit after tax of joint ventures	1,023	-	1,023
Profit before tax	58,690	42,762	101,452
Tax expense	(8,837)	(3,149)	(11,986)
Net profit after tax	49,853	39,613	89,466
Segment assets	1,042,786	611,064	1,653,850
Investments in associates	24,137	83,665	107,802
Investments in joint ventures	1,348	(91)	1,257
Total assets	1,068,272	694,638	1,762,909
Total liabilities	(903,799)	(397,220)	(1,301,019)
Total equity	164,473	297,418	461,890
Return on equity (net profit after tax over total equity - 12 months)	30.3%	13.3%	19.4%

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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 year to 22 February 2008.

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 DECEMBER 2007

Corporate guarantee for credit facilities granted to subsidiary companies	RM'000 <u>339,184</u>
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There are no contingent assets as at 31 December 2007.

13. COMPARISON WITH PRECEDING QUARTER RESULTS (Q4 2007 vs Q3 2007)

The Group generated a consolidated revenue of RM418.6 million for the quarter under review as compared to RM403.3 million consolidated revenue in the third quarter of year 2007, representing an increase of 4% in the consolidated revenue during the current quarter.

The Group recorded a consolidated profit before tax of RM32.3 million for the quarter under review as compared to RM21.6 million in the third quarter of year 2007, representing an increase of 50% in the consolidated profit before tax during the current quarter.

Both increase in the consolidated revenue and consolidated profit before tax for the quarter under review is mainly contributed from the Infrastructure Construction Division and Cranes Division. The Infrastructure Construction Division has successfully recorded another new track record with the completion of warranty period of the Integrated Transport Information System operating in Klang Valley for the Kuala Lumpur City Council, which is a pioneer project of its kind in Malaysia. Our Yemen LNG Jetty project continues to contribute profit for the current quarter under review. The main board listed cranes subsidiary of the Group - Favelle Favco Berhad has also seen further improvement in performance and operational efficiency following the Group's reorganisation and delivery of more offshore oil and gas cranes as well as tower cranes to customers globally.

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14. REVIEW OF GROUP PERFORMANCE (YTD Q4 2007 vs YTD Q4 2006)

The Group generated a consolidated revenue of RM1.422 billion for the year ended 31 December 2007, representing an increase of 31% as compared to RM1.086 billion consolidated revenue for the year ended 31 December 2006.

The consolidated profit before tax increased by 56% to RM101.5 million for the year ended 31 December 2007 as compared to RM65.1 million for the year ended 31 December 2006.

The profit attributable to the shareholders of the Company further improved by 108% from RM33.8 million in year 2006 to RM70.2 million in year 2007.

The Group also generated a net return on equity of 19% in year 2007 as compared to 13% in year 2006.

The increase in the consolidated revenue, consolidated profit before tax and consolidated net profit attributable to the shareholders of the Company were contributed by the Infrastructure Construction Division, Cranes Division and Shipyard Division. These three divisions have generated improved operating margin from higher revenue with better contract pricing and operational efficiency during the year ended 31 December 2007.

During year 2007, our Airport Concession in Cambodia has continuously to see a double digit growth in the traffic of airport passengers. The Road Maintenance Concession in Malaysia had a lower net profit than the previous corresponding year as there were more ad-hoc road construction works in the previous year in addition to the routine and recurring income of road maintenance work for the Federal Government of Malaysia.

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15. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 22 February 2008, the total outstanding secured order book in hand of the Group is RM4.61 billion, comprises of RM3.36 billion from Infrastructure Construction Division, RM585 million from Cranes Division and RM668 million from Shipyard Division.

The major projects secured by the Infrastructure Construction Division in year 2007 are :

	RM'000
a) Regional petroleum hub at Tanjung Bin, Malaysia	450,000
b) Design and build of South Klang Valley Expressway (SKVE), Malaysia	1,100,000
c) Catering facility for New Doha International Airport, Qatar	1,230,000
d) Rehabilitation and Upgrading of Damascus International Airport, Syria	196,000

With the financial close and successful finalisation of financing facility for South Klang Valley Expressway project by the client, Muhibbah Engineering (M) Bhd as the main contractor for SKVE project has commenced the construction work in February 2008. The construction works for all other secured projects are in intact progress.

b) Current Year Prospect

In view of the order book secured and with more opportunities from increasing deep sea exploration and production for oil especially in the Asia Pacific and Middle East Region, the Group continues to see growth in year 2008. In addition, with the Ninth Malaysian Plan taking off, the Group is expected to further enhance its market share.

16. PROFIT FORECAST

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

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17. TAX EXPENSE

	Current Quarter 31.12.2007 RM'000	Cumulative Qtr To-date 31.12.2007 RM'000
Corporate tax expense		
Malaysia - current	407	484
Overseas - current	(95)	(3,886)
	312	(3,402)
Deferred tax expense		
Malaysia - current	(3,347)	(9,322)
Overseas - current	(236)	738
	(3,583)	(8,584)
Total tax expense	<u>(3,271)</u>	<u>(11,986)</u>

The effective tax rate of the Group for the fourth quarter and year ended 31 December 2007 is respectively lower than the local statutory tax rate mainly due to tax exempt income from pioneer status and tax incentives and allowances granted by both local and overseas authorities to the major subsidiaries and branches of the Group.

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

	Unaudited 31.12.2007 RM'000
Quoted share - at cost	509
Less: Allowance for diminution in value	<u>(395)</u>
Quoted share - at carrying value	<u>114</u>
Market value of quoted shares	<u>114</u>

20. CORPORATE PROPOSALS

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

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	16,155
		DKK	26,483
		Sub-total	33,218
	Unsecured	RM	79,312
		SGD	257
		USD	1,282
		AUD	299
		Sub-total	85,053
b) Hire purchase and finance lease		RM	614
		SGD	-
		AUD	31
		Sub-total	704
Total short term borrowings			118,975
a) Long term borrowings			
Secured		RM	86,404
		USD	1,409
		Sub-total	91,111
	Unsecured	RM	2,700
		Sub-total	2,700
b) Hire purchase and finance lease		RM	1,018
		SGD	42
		AUD	8
		Sub-total	1,138
Total long term borrowings			94,949
Total borrowings			213,924

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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 22 February 2008 are as follows:

← Principal Foreign Currency →	Amount '000	Forward Contracted Exchange Rate	Equivalent Currency '000
Sell:			
US Dollar	USD 229,633	3.2220 - 3.4664	RM 759,383
EURO Dollar	EURO 20,000	4.7783 - 4.7880	RM 95,663
US Dollar	USD 14,023	1.1050 - 1.1830	AUD 16,322
Singapore Dollar	SGD 10,000	2.3130 - 2.3230	RM 23,144
Buy:			
US Dollar	USD 57,535	3.2596 - 3.3071	RM 189,130

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.

23. LITIGATIONS

There are no material outstanding litigations that have material effect to the Group as at 22 February 2008.

24. DIVIDENDS

The directors recommend a first and final dividend of 9% (4.5 Sen) less 26% taxation per ordinary share of RM0.50 each subject to approval of the shareholders at the forthcoming Annual General Meeting. The payable final dividend is amounted to RM12.73 million.

The first and final dividend for 2007 is computed based on the issued and paid up share capital (excluding treasury shares) of 382,194,750 ordinary shares of RM0.50 each as at 31 December 2007.

A first and final dividend of 7.5% (3.75 Sen) less 27% taxation per ordinary share of RM0.50 each totalling RM8.357 million in respect of the year ended 31 December 2006 was paid on 24 September 2007. The comparative dividend payout ratio per share and the number of ordinary shares in 2006 have been restated to take into account the effect of share split in 2007, for effective comparison purposes.

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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 year.

	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Net profit attributable to the shareholders of the Company (RM'000)	19,374	8,760	70,180	33,800
Weighted average number of ordinary shares in issue ('000)	382,134	374,048	376,827	368,776
Basic EPS (Sen)	5.07	2.34	18.62	9.17

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.

	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Net profit attributable to the shareholders of the Company (RM'000)	19,374	8,760	70,180	33,800
Weighted average number of ordinary shares in issue ('000)	382,134	374,048	376,827	368,776
Effect of dilution ('000)	20,863	7,691	20,862	7,692
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	402,997	381,739	397,689	376,468
Diluted EPS (Sen)	4.81	2.29	17.65	8.98

The comparative basic and diluted earnings per share have been restated to take into account the effects of bonus issue and share split in 2007.

26. COMPARATIVE FIGURES

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

27. 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 February 2008.

Date : 28 February 2008