

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 2008 (2ND QUARTER)

CONDENSED CONSOLIDATED BALANCE SHEETS

	UNAUDITED AS AT 30.6.2008 RM'000	AUDITED AS AT 31.12.2007 RM'000
Assets		
Property, plant and equipment	396,606	330,391
Prepaid lease payments	31,701	32,105
Investment properties	577	586
Investments in associates	119,190	107,631
Other investments	104	114
Development costs	2,605	3,127
Goodwill and other intangible assets	34,110	852
Deferred tax assets	148	148
Long term advance due from an associate	-	10,000
Land held for development	15,539	6,028
Total non-current assets	600,580	490,982
Prepaid lease payments	317	317
Investments in joint ventures	-	1,257
Receivables, deposits and prepayments	416,448	380,624
Contract work-in-progress	692,983	540,731
Inventories	219,712	159,895
Current tax assets	1,288	3,239
Cash and cash equivalents	136,899	180,075
Total current assets	1,467,647	1,266,138
Total assets	2,068,227	1,757,120

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CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	UNAUDITED AS AT 30.6.2008 RM'000	AUDITED AS AT 31.12.2007 RM'000
Equity		
Share capital	191,819	191,783
Reserves	20,057	15,650
Retained earnings	225,502	183,699
Less: Treasury shares	(5,561)	(4,669)
Total equity attributable to shareholders of the Company	431,817	386,463
Minority interest	82,404	74,692
Total Equity	514,221	461,155
Liabilities		
Advances from minority shareholders	16,445	16,795
Loans and borrowings	82,430	92,508
Deferred tax liabilities	17,162	15,753
Total non-current liabilities	116,037	125,056
Payables and accruals	454,190	434,567
Amount due to contract customers	295,658	157,464
Bills payable	615,365	431,914
Loans and borrowings	56,947	127,232
Tax liabilities	6,039	10,811
Provisions	9,770	8,921
Total current liabilities	1,437,969	1,170,909
Total liabilities	1,554,006	1,295,965
Total equity and liabilities	2,068,227	1,757,120
Net assets per share attributable to shareholders of the Company (RM)	1.13	1.01

**The Condensed Consolidated Balance Sheets should be read in conjunction with the
Annual Financial Report for the year ended 31 December 2007**

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2008 (2ND QUARTER)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.6.2008 RM'000	30.6.2007 RM'000	30.6.2008 RM'000	30.6.2007 RM'000
Revenue		454,477	347,358	840,454	600,176
Cost of sales and operating expenses		(437,003)	(327,436)	(809,002)	(571,435)
Other income		9,387	6,528	14,840	11,253
Results from operating activities		26,861	26,450	46,292	39,994
Interest income		1,014	620	1,601	1,219
Finance costs		(2,952)	(3,776)	(5,630)	(7,323)
Operating profit		24,923	23,294	42,263	33,890
Share of profit after tax and minority interest of equity accounted associates		6,374	5,944	15,529	14,623
Share of profit/(loss) after tax of joint ventures		-	(995)	-	(995)
Profit before tax and exceptional items		31,297	28,243	57,792	47,518
Exceptional items	4	-	-	-	-
Profit before tax		31,297	28,243	57,792	47,518
Tax expense	16	(6,138)	(5,935)	(9,651)	(8,540)
Profit for the period		25,159	22,308	48,141	38,978
Attributable to:					
Shareholders of the Company		21,529	17,988	41,803	32,620
Minority interest		3,630	4,320	6,338	6,358
Profit for the year		25,159	22,308	48,141	38,978
Earnings per ordinary share					
Basic (Sen)	* 24	5.64	4.81	11.10	8.72
Diluted (Sen)	* 24	5.35	4.48	10.52	8.12

* The comparative figures for earnings per share and diluted earnings per share have been restated to account for the effect of bonus issue and subdivision of shares which were completed on 2 November 2007

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2008 (2ND QUARTER)

	← Attributable to shareholders of the Company →					Total equity attributable to shareholders of the Company RM'000	Minority interest RM'000	Total equity RM'000
	← Non-distributable →			Distributable				
	Share capital RM'000	Treasury shares RM'000	Reserves attributable to capital RM'000	Reserve attributable to revenue RM'000	Retained earnings RM'000			
At 1 January 2007	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
At 30 June 2007	<u>149,618</u>	<u>(1,454)</u>	<u>35,540</u>	<u>9,612</u>	<u>159,500</u>	<u>352,816</u>	<u>64,412</u>	<u>417,228</u>
At 1 January 2008	191,783	(4,669)	7,674	7,976	183,699	386,463	74,692	461,155
Share options exercised	36	-	1	-	-	37	17	54
Share-based payments	-	-	1,107	-	-	1,107	112	1,219
Shares repurchased	-	(892)	-	-	-	(892)	-	(892)
Dilution of interest in subsidiary arising from issuance of shares pursuant to ESOS of the subsidiary	-	-	-	-	-	-	5	5
Exchange differences on translation of the financial statements of foreign entities	-	-	-	3,299	-	3,299	1,240	4,539
Profit for the period	-	-	-	-	41,803	41,803	6,338	48,141
At 30 June 2008	<u>191,819</u>	<u>(5,561)</u>	<u>8,782</u>	<u>11,275</u>	<u>225,502</u>	<u>431,817</u>	<u>82,404</u>	<u>514,221</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 2007

MUHIBBAH ENGINEERING (M) BHD

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008 (2ND QUARTER)**

	Unaudited YTD 30.6.2008 RM'000	Audited YTD 30.6.2007 RM'000
Operating profit	81,070	75,351
Net changes in working capital	(148,859)	(28,122)
Net income taxes (paid)/ refund	(5,595)	(1,219)
Net cash generated from/(used in) operating activities	(73,384)	46,010
Net cash generated from/(used in) investing activities	(56,696)	(43,638)
Net cash generated from/(used in) financing activities	106,854	62,343
Net increase/(decrease) in cash and cash equivalents	(23,226)	64,715
Cash and cash equivalents at 1 January	149,239	53,245
Currency translation differences	5,421	225
Cash and cash equivalents at 30 June	131,434	118,185

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

	30.6.2008 RM'000	30.6.2007 RM'000
Cash and bank balances	82,845	77,688
Deposits placed with licensed banks	54,054	60,754
Cash and cash equivalents per balance sheet	136,899	138,442
Bank overdrafts	(5,465)	(20,257)
	131,434	118,185

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual
Financial Report for the year ended 31 December 2007**

MUHIBBAH ENGINEERING (M) BHD
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE YEAR ENDED 30 JUNE 2008 (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 audited financial statements for the year ended 31 December 2007, except for the adoption of the new/revised FRSs that came into effect during the financial period under review as per the requirement of the MASB.

The adoption of the new/revised FRSs that came into effect during the financial period under review does not have material effect on the Group's financial results for the financial period to date nor the Group's shareholders fund as at 30 June 2008.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

2. QUALIFICATION OF PRECEDING YEAR'S AUDITED FINANCIAL STATEMENTS

The audited financial statements of the Company for the preceding year ended 31 December 2007 were not subject to any qualification.

3. EXPLANATORY COMMENT ON SEASONALITY OR CYCLICALITY

The Airport Concession Division experiences a seasonality international passengers arrival at the international airports in Cambodia. The peak seasons are usually during the fourth quarter of the year to the first quarter of the following year. The passengers are largely international tourists visiting the various prominent 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.

4. 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.

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5. CHANGE IN ESTIMATES

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

6. DEBT AND EQUITY SECURITIES

a) Employees' Share Option Scheme

During the current quarter ended 30 June 2008, a total of 17,500 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.

b) Treasury Shares

There Company has not repurchased any of its issued ordinary shares of RM0.50 each from the open market during the current quarter ended 30 June 2008.

As at 30 June 2008, a total of 1,783,000 ordinary shares of RM0.50 each are held as treasury shares by the Company. These treasury shares are held at a total carrying amount of RM5,561,528.

The buy back transactions were 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 2008.

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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7. SEGMENTAL INFORMATION

	Infrastructure Construction RM'000	Cranes RM'000	Marine- Ship Repair and Ship Building RM'000	Concess- ion RM'000	Conso- lidated RM'000
BUSINESS SEGMENTS					
Revenue from external customers	434,848	254,162	151,444	-	840,454
Operating profit/(loss)	20,470	11,643	14,233	(54)	46,292
Interest income	754	487	360	-	1,601
Finance costs	(971)	(3,381)	(1,076)	(202)	(5,630)
Share of profit/(loss) after tax and minority interest of equity accounted associates	1,779	(3)	-	13,753	15,529
Profit before tax	22,032	8,746	13,517	13,497	57,792
Tax expense	(7,190)	(623)	(1,838)	-	(9,651)
Net profit after tax	14,842	8,123	11,679	13,497	48,141
Segment assets	1,042,504	571,033	334,560	940	1,949,037
Investments in associates	18,553	58	-	100,579	119,190
Investments in joint ventures	-	-	-	-	-
Total assets	1,061,057	571,091	334,560	101,519	2,068,227
Total liabilities	(902,236)	(425,507)	(220,829)	(5,434)	(1,554,006)
Total equity	158,821	145,584	113,731	96,085	514,221
Annualised return on equity	18.7%	11.2%	20.5%	28.1%	18.7%

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7. SEGMENTAL INFORMATION (CONTINUED)

	Inside Malaysia RM'000	Outside Malaysia RM'000	Conso- lidated RM'000
GEOGRAPHICAL SEGMENTS			
Revenue from external customers	391,935	448,519	840,454
Operating profit	23,108	23,184	46,292
Interest income	1,231	370	1,601
Finance costs	(5,502)	(128)	(5,630)
Share of profit/(loss) after tax and minority interest of equity accounted associates	4,947	10,582	15,529
Profit before tax	23,784	34,008	57,792
Tax expense	(5,913)	(3,738)	(9,651)
Net profit after tax	17,871	30,270	48,141
Segment assets			1,949,037
Investments in associates			119,190
Investments in joint ventures			-
Total assets			2,068,227
Total liabilities			(1,554,006)
Total equity			514,221
Annualised return on equity			18.7%

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8. 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.

9. MATERIAL SUBSEQUENT EVENT

There is no material subsequent event from the end of the period to 21 August 2008.

10. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

On 3 January 2008, The Company acquired 207 ordinary shares of USD250.00 each in Muhibbah Engineering (Cambodia) Co. Ltd ("MEC") for a total cash consideration of USD1.00, resulting in a goodwill arising from consolidation of RM33.4 million to the Group. The principal activities of MEC are infrastructure construction, property development and quarry operations in Cambodia. Upon completion of the acquisition, the direct shareholding of the Company in MEC was increased from 49% to 60%. As such, MEC has become a subsidiary of the Company.

Other than as mentioned above, there are no material changes in the Group's composition during the period.

11. CONTINGENT LIABILITIES/ASSETS AS AT 30 JUNE 2008

	RM'000
Corporate guarantee for credit facilities granted to subsidiary companies	<u>284,003</u>

There are no contingent assets as at 30 June 2008.

**12. COMPARISON WITH PRECEDING QUARTER RESULTS
(3 MONTHS Q2 2008 vs 3 MONTHS Q1 2008)**

The Group generated a consolidated revenue of RM454.5 million for the quarter under review as compared to RM386.0 million consolidated revenue in the first quarter of year 2008, representing an increase of 18% in the consolidated revenue during the current quarter.

The Group recorded a consolidated profit before tax of RM31.3 million for the quarter under review as compared to RM26.5 million in the first quarter of year 2008, representing a increase of 18% in the consolidated profit before tax during the current quarter.

The increase in both consolidated turnover and consolidated profit before tax for the current quarter under review is mainly due to the commencement of physical construction works for the Damascus International Airport in Syria.

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13. REVIEW OF GROUP PERFORMANCE (YTD Q2 2008 vs YTD Q2 2007)

The Group generated a consolidated revenue of RM840.5 million for the period ended 30 June 2008, representing an increase of 40% as compared to RM600.2 million consolidated revenue for the period ended 30 June 2007.

The consolidated profit before tax increased by 22%, from RM47.5 million for the period ended 30 June 2007 to RM57.8 million for the period ended 30 June 2008.

The profit attributable to the shareholders of the Company improved by 28%, from RM32.6 million for the period ended 30 June 2007 to RM41.8 million for the period ended 30 June 2008.

The Group generated return on equity of 9.4% for the period ended 30 June 2008 which represents an annualised return in equity of 18.7%.

The increase in the consolidated revenue and consolidated profit before tax for the period under review was mainly contributed by the improvement in the Infrastructure Construction and Shipyard divisions. The increase in raw materials and components price has resulted in lower profit margin from the Construction and Cranes divisions.

The Cambodia airport concession sees a single digit growth in air passenger arrivals. There are more business travellers to Phnom Penh Airport, Cambodia. However, this is partly offset by lower tourists arrival to Seam Reap Airport due to higher air freight costs.

14. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 21 August 2008, the total outstanding secured order book in hand of the Group is RM4.843 billion, comprises of RM3.129 billion from Infrastructure Construction Division, RM857 million from Cranes Division and RM857 million from Shipyard Division.

The construction works for all secured projects are in progress.

b) Current Year Prospect

The Board of Directors of Muhibbah Engineering (M) Bhd remains positive on the future outlook of global market of the oil and gas industry. The Group expects more orders of offshore oil and gas cranes and offshore support vessels from the offshore oil and gas industry.

15. 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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16. TAX EXPENSE

	Current Quarter 30.6.2008 RM'000	Cumulative Qtr Todate 30.6.2008 RM'000
Corporate tax expense		
Malaysia - current	(2,447)	(4,565)
Overseas - current	(2,886)	(3,628)
	(5,333)	(8,193)
Deferred tax expense		
Malaysia - current	(805)	(1,458)
Overseas - current	-	-
	(805)	(1,458)
Total tax expense	(6,138)	(9,651)

The effective tax rate of the Group for the current quarter ended 30 June 2008 and 6 months period ended 30 June 2008 is 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.

17. 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.

18. SALE/PURCHASE OF QUOTED SECURITIES

	Unaudited 30.6.2008 RM'000
Quoted share - at cost	514
Less: Allowance for diminution in value	(410)
Quoted share - at carrying value	104
Market value of quoted shares	101

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19. CORPORATE PROPOSALS

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

On 22 April 2008, the Company announced a proposed issue of up to RM130 million nominal value of Islamic Bonds together with up to 38,000,000 detachable provisional rights to allotment of warrants (collectively referred to as "the proposals").

The Company has received approval for the proposals from Bank Negara Malaysia, Securities Commission and Foreign Investment Committee on various dates. The shareholders approved the proposals at an Extraordinary General Meeting of the Company held on 19 June 2008.

As at todate, the Company is in the process of implementing the approved Proposals.

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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20. GROUP BORROWINGS AND DEBT SECURITIES

		Foreign currency		
		Currency	Amount	RM'000
a) Short term borrowings				
	Secured	RM	13,966	13,966
		DKK	1,570	1,085
		Sub-total		15,051
	Unsecured	RM	36,852	36,852
		SGD	-	-
		USD	751	2,452
		AUD	627	1,971
		Sub-total		41,275
b) Hire purchase and finance lease		RM	570	570
		SGD	4	10
		AUD	13	41
		Sub-total		621
Total short term borrowings				56,947
a) Long term borrowings				
	Secured	RM	77,707	77,707
		USD	1,174	3,835
		Sub-total		81,542
	Unsecured	RM	-	-
		Sub-total		-
b) Hire purchase and finance lease		RM	807	807
		SGD	31	75
		AUD	2	6
		Sub-total		888
Total long term borrowings				82,430
Total borrowings				139,377

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21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group has entered into forward foreign currency contracts to limit its exposure to potential changes in foreign exchange rates with respect to estimated receipts and payments denominated in foreign currency.

The details of the outstanding forward foreign currency contracts are as follows:

← Principal Foreign Currency →	Amount '000	Equivalent Currency '000
Sell:		
US Dollar	USD 221,156	RM 731,251
EURO Dollar	EURO 35,186	RM 180,104
SG Dollar	SGD 100,000	RM 237,960
US Dollar	USD 15,326	AUD 18,082
Buy:		
US Dollar	USD 31,433	RM 101,026
EURO Dollar	EURO 20,803	RM 102,834
GB Pound	GBP 857	RM 5,321
Norwegian Krone	NOK 136,248	RM 81,632

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.

22. LITIGATIONS

There are no material outstanding litigations that have material effect to the Group as at 21 August 2008.

23. 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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24. 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	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Net profit attributable to the shareholders of the Company (RM'000)	21,529	17,988	41,803	32,620
Weighted average number of ordinary shares in issue ('000)	381,779	374,028	376,614	374,037
Basic EPS (Sen)	5.64	4.81	11.10	8.72

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	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
Net profit attributable to the shareholders of the Company (RM'000)	21,529	17,988	41,803	32,620
Weighted average number of ordinary shares in issue ('000)	381,779	374,028	376,614	374,037
Effect of dilution ('000)	20,661	27,507	20,661	27,506
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	402,440	401,535	397,275	401,543
Diluted EPS (Sen)	5.35	4.48	10.52	8.12

The comparative figures for earnings per share and diluted earnings per share have been restated to account for the effect of bonus issue and subdivision of shares which were completed on 2 November 2007.

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25. 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 26 August 2008.

Date : 26 August 2008