

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2010 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 31.3.2010 RM'000	AUDITED AS AT 31.12.2009 RM'000
Assets		(RESTATED)
Property, plant and equipment	526,817	545,016
Investment in associates	128,453	124,967
Goodwill and other intangible assets	21,600	21,600
Other non-current assets	25,359	26,969
Total non-current assets	702,229	718,552
Receivables, deposits and prepayments	1,049,304	919,081
Contract work-in-progress	286,767	330,227
Inventories	180,430	200,166
Current tax assets	4,919	1,168
Cash and cash equivalents	216,785	249,309
Total current assets	1,738,205	1,699,951
Total assets	2,440,434	2,418,503
Equity		
Share capital	198,745	198,685
Reserves	128,986	127,883
Total equity attributable to shareholders of the Company	327,731	326,568
Minority interests	95,246	101,504
Total equity	422,977	428,072
Liabilities		
Payables and accruals	16,155	16,905
Loans and borrowings	160,190	170,015
Deferred tax liabilities	22,737	21,716
Total non-current liabilities	199,082	208,636
Provision, payables and accruals	782,224	858,307
Amount due to contract customers	444,688	351,635
Bills payables	441,148	466,356
Loans and borrowings	132,952	86,050
Tax liabilities	17,363	19,447
Total current liabilities	1,818,375	1,781,795
Total liabilities	2,017,457	1,990,431
Total equity and liabilities	2,440,434	2,418,503
Net assets per share attributable to shareholders of the Company (RM)	0.83	0.84

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.)

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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2010 (1ST QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		31.3.2010 RM'000	31.3.2009 RM'000	31.3.2010 RM'000	31.3.2009 RM'000
Revenue		410,577	381,194	410,577	381,194
Cost of sales and operating expenses		(407,845)	(365,037)	(407,845)	(365,037)
Other income		1,054	2,660	1,054	2,660
Results from operating activities		3,786	18,817	3,786	18,817
Interest income		519	324	519	324
Finance costs		(1,987)	(2,670)	(1,987)	(2,670)
Operating profit		2,318	16,471	2,318	16,471
Share of profit after tax and minority interest of equity accounted associates		6,517	7,040	6,517	7,040
Profit before tax and exceptional items		8,835	23,511	8,835	23,511
Exceptional items	5	-	-	-	-
Profit before tax		8,835	23,511	8,835	23,511
Tax expense	18	(2,098)	(5,107)	(2,098)	(5,107)
Profit for the period		6,737	18,404	6,737	18,404
Other comprehensive income					
Foreign currency translation differences for foreign operations		(11,963)	4,040	(11,963)	4,040
Other comprehensive income for the period		(11,963)	4,040	(11,963)	4,040
Total comprehensive income for the period		(5,226)	22,444	(5,226)	22,444
Profit attributable to:					
Owners of the Company		5,298	15,162	5,298	15,162
Minority interests		1,439	3,242	1,439	3,242
Profit for the period		6,737	18,404	6,737	18,404
Total comprehensive income attributable to:					
Owners of the Company		(3,921)	18,029	(3,921)	18,029
Minority interests		(1,305)	4,415	(1,305)	4,415
Total comprehensive income for the period		(5,226)	22,444	(5,226)	22,444
Earnings per ordinary share					
Basic (Sen)	25	1.35	3.99	1.34	3.99
Diluted (Sen)	25	1.31	3.89	1.31	3.89

(The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2010 (1ST QUARTER)**

	← Attributable to shareholders of the Company →							
	← 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	Total equity attributable to shareholders of the Company RM'000		Minority interest RM'000
At 1 January 2009	196,469	(5,561)	39,121	11,735	199,654	441,418	87,629	529,047
Share option exercised	19	-	-	-	-	19	-	19
Share-based payments	-	-	201	-	-	201	52	253
Total comprehensive income for the period	-	-	-	5,086	12,943	18,029	4,415	22,444
At 31 March 2009	<u>196,488</u>	<u>(5,561)</u>	<u>39,322</u>	<u>16,821</u>	<u>212,597</u>	<u>459,667</u>	<u>92,096</u>	<u>551,763</u>
At 1 January 2010								
As previously stated	198,685	(5,561)	37,722	14,405	204,937	450,188	101,504	551,692
Effect of adopting FRS 139	-	-	-	-	(118,640)	(118,640)	(4,980)	(123,620)
At 1 January 2010, restated	198,685	(5,561)	37,722	14,405	86,297	331,548	96,524	428,072
Share options exercised	60	-	23	-	-	83	16	99
Share-based payments	-	-	21	-	-	21	11	32
Total comprehensive income for the period	-	-	-	(9,219)	5,298	(3,921)	(1,305)	(5,226)
At 31 March 2010	<u>198,745</u>	<u>(5,561)</u>	<u>37,766</u>	<u>5,186</u>	<u>91,595</u>	<u>327,731</u>	<u>95,246</u>	<u>422,977</u>

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.)

MUHIBBAH ENGINEERING (M) BHD
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2010 (1ST QUARTER)

	Unaudited YTD 31.3.2010 RM'000	Audited YTD 31.3.2009 RM'000
Operating profit before interest, tax, depreciation and amortisation	24,105	43,822
Net changes in working capital	(61,201)	15,488
Net income taxes paid	(2,094)	(2,010)
Net cash (used in)/generated from operating activities	(39,190)	57,300
Net cash used in investing activities	(2,740)	(17,857)
Net cash (used in)/generated from financing activities	(19,849)	42,890
Net (decrease)/increase in cash and cash equivalents	(61,779)	82,333
Cash and cash equivalents at 1 January	247,242	208,522
Currency translation differences	605	(5,141)
Cash and cash equivalents at 31 March	186,068	285,714

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

	31.3.2010 RM'000	31.3.2009 RM'000
Cash and bank balances	173,273	139,868
Deposits placed with licensed banks	43,512	156,695
Cash and cash equivalents per balance sheet	216,785	296,563
Bank overdrafts	(30,717)	(10,849)
	186,068	285,714

The Condensed Consolidated Cash Flow statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009

MUHIBBAH ENGINEERING (M) BHD
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ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 31 MARCH 2010 (1ST QUARTER)

1. ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The interim financial statements are unaudited and have been prepared in accordance with the FRS 134 : Interim Financial Reporting and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following new FRSs and Interpretations, and amendments to certain FRSs and Interpretations for financial period beginning 1 July 2009 and 1 January 2010:

Effective for annual periods beginning on or after 1 July 2009

FRS 8, Operating Segments

Effective for annual periods beginning on or after 1 January 2010

FRS 4, Insurance Contracts

FRS 7, Financial Instruments: Disclosures

FRS 101, Presentation of Financial Statements (revised)

FRS 123, Borrowing Costs (revised)

FRS 139, Financial Instruments: Recognition and Measurement

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards

Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 7, Financial Instruments: Disclosures

Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 132, Financial Instruments: Presentation

Amendments to FRS 139, Financial Instruments: Recognition and Measurement

Improvements to FRSs (2009)

IC Interpretation 9, Reassessment of Embedded Derivatives

IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13, Customer Loyalty Programmes

IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Other than the principal effects as discussed below, the adoption of the above FRSs, Amendments and Interpretations do not have any significant financial impact on the Group's result.

a) FRS 8, *Operating Segments*

FRS 8 requires a 'management approach' under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on that used for internal reporting to the chief operating decision maker who makes decision on the allocation of resources and assesses the performance of the reportable segments.

b) FRS 101: *Presentation of Financial Statements*

The revised FRS 101 separates owner and non-owner changes in equity. The components of interim financial statements presented now consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements. The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The consolidated statement of changes in equity will now include only details of transactions with owners.

c) *Improvements to FRSs (2009)*

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendment that has a material impact is:

FRS 117, *Leases*

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease is reclassified to property, plant and equipment. The adoption of these amendments is resulted a change in accounting policy which applied retrospectively in accordance with the transitional provisions.

d) FRS 139, *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognition and measurement of financial instruments. A financial asset or financial liability shall be recognised in its statements of financial position when the group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is recorded at fair value upon initial recognition.

Financial assets

Subsequent to initial recognition, financial assets are classified as 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables', 'available for sale financial assets' or 'derivative designated as hedging instruments', as appropriate.

Loans and receivables' prior to the adoption of FRS 139 were stated at cost less allowance for doubtful debts. Under FRS 139, financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest methods. Gains or losses arising from amortisation process, impairment, or derecognition of loans and receivables are recognised in profit or loss.

Financial liabilities

After initial recognition, financial liabilities are classified as 'fair value through profit or loss', 'loans and receivables' or 'derivatives designated as hedging instruments', as appropriate.

3. AUDIT REPORT OF THE PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2009

The Auditors' Report on the financial statements of the preceding financial year was not subject to audit

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

5. EXCEPTIONAL OR UNUSUAL ITEMS

There were no exceptional or unusual items affecting financial statements of the Group for the current quarter under review other than as disclosed.

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior interim periods and prior financial years that have a material effect in the current quarter under review.

7. DEBT AND EQUITY SECURITIES

There were no cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter under review, except for the issuance of 111,000 new ordinary shares of RM0.50 each, pursuant to the exercise of the Employees' Share Option Scheme.

8. DIVIDEND PAYMENT

There were no dividend declared or paid for the current financial year to date.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Quarter ended 31.3.2010	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	264,578	(11,675)
Cranes	74,951	3,785
Marine ship repair and ship building	114,013	15,450
Concession	-	7,242
	<hr/>	<hr/>
	453,542	14,802
Less: Elimination	(42,965)	(5,967)
	<hr/>	<hr/>
	<u>410,577</u>	<u>8,835</u>

10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes to the valuation of property, plant and equipment from the previous year's audited financial statements.

11. MATERIAL SUBSEQUENT EVENTS

Please refer to Note 21.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

There were no major changes in the composition of the Group during the current financial period under review.

13. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Since the last annual balance sheet as at 31 December 2009, there were no material changes in the contingent liabilities of the Group except for the following:

	RM'000
Corporate guarantees for credit facilities granted to subsidiary companies	<u>121,028</u>

14. COMPARISON WITH PRECEDING QUARTER RESULTS (Q1 2010 vs. Q4 2009)

The Group recorded a consolidated revenue of RM410.6 million for the quarter under review as compared to RM679.3 million consolidated revenue in the last quarter. The decrease was mainly attributed by lower turnover from the Infrastructure Construction and Cranes Divisions.

The Group achieved profit after tax of RM6.7 million for the current quarter as compared to RM1.2 million in the previous quarter mainly due to improvement in the Infrastructure Construction Division. The shipyard Division contributed the highest profit after tax to the Group.

15. REVIEW OF GROUP PERFORMANCE (YTD Q1 2010 vs. YTD Q1 2009)

The Group registered a higher consolidated revenue of RM410.6 million for the quarter ended 31 March 2010, represents an increase of 8% from RM381.2 million recorded in the previous corresponding quarter. The increase is attributed to higher turnover from the Infrastructure Construction and Shipyard Division arising from the ongoing projects and order books in hand.

The Group reported a lower consolidated profit before tax of RM8.80 million for the current quarter ended 31 March 2010 as compared to the consolidated profit before tax of RM23.5 million in last year due to lower profit from Infrastructure Construction Division.

16. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 18 May 2010, the total outstanding secured order book in hand of the Group is RM2.88 billion, comprises of RM1.79 billion from Infrastructure Construction Division, RM491 million from Cranes Division and RM596 million from Shipyard Division. These outstanding secured order books will take us into 2013.

b) Current Year Prospect

The global e business environment remain volatile and challenging. Measures and strategies shall continue to be undertaken and be put in place to ensure sustainability of the Group.

17. PROFIT FORECAST

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

18. TAXATION

	Current Quarter 31.3.2010 RM'000	Cumulative Qtr To date 31.3.2010 RM'000
Corporate tax expense		
Malaysia - current	1,597	1,597
Overseas - current	(184)	(184)
	1,413	1,413
Deferred tax expense		
Malaysia - current	(3,511)	(3,511)
Overseas - current	-	-
	(3,511)	(3,511)
Total tax expense	<u>(2,098)</u>	<u>(2,098)</u>

The Group's effective tax rate for the current period is higher than the statutory tax rate mainly due to no tax loss set off available for projects and operational units among different countries.

19. SALE OF UNQUOTED INVESTMENT AND / OR PROPERTIES

There was no sale of unquoted investment and/or properties during the current quarter under review.

20. SALE/ PURCHASE OF QUOTED SECURITIES

The Group did not sell or purchase any quoted securities during the quarter under review.

21. CORPORATE PROPOSALS

On 27 April 2010, Muhibbah successfully completed the Company's proposed RM130 million 3 to 5 years Islamic Bonds with 38 million detachable warrants and the proceeds raised were mainly utilised to refinance the existing short-term bank borrowings of the Muhibbah Group.

22. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured	RM	19,272	19,272
	Sub- total		19,272
Unsecured	RM	97,899	97,899
	USD	4,629	14,852
	AUD	151	455
	Sub- total		113,206
b) Hire purchase and finance lease	RM	231	231
	DKK	412	243
	Sub- total		474
Total Short Term Borrowings			132,952
a) Long term borrowings			
Secured	RM	106,592	106,592
	Sub-total		106,592
Unsecured	RM	40,867	40,867
	USD	3,630	11,880
	Sub-total		52,747
b) Hire purchase and finance lease	RM	89	89
	DKK	1,291	762
	Sub-total		851
Total Long Term Borrowings			160,190
Total borrowings			293,142

23. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2010, the Group had the following outstanding derivative financial instruments:

Derivatives	Contract/ National value RM'000	Fair value RM'000
Forward foreign exchange contracts		
- Purchase Euro, sell RM	(67,163)	(63,660)
- Purchase NOK, sell RM	(73,591)	(71,899)
- Sell USD, buy RM	611,727	578,205
- Sell USD, buy AUD	27,819	26,997
- Sell Euro, buy RM	133,300	120,114

Forward foreign exchange contract is used as a hedging tool to minimise the Group's exposure to exchanges in fair value of its commitment, conducted in the ordinary course of business, as a result of fluctuation in exchange rate.

The above financial instrument is subject to credit risk arising from the possibility of default of the counter party in meeting its contractual obligations in which the group has a gain in the contract. This has been minimised as the financial instrument is executed with creditworthy financial institution in Malaysia.

24. CHANGES IN MATERIAL LITIGATION

There were no litigations that have material effect to the Group as at 24 May 2010 except for the following:

**i. Litigation against the Company, Favelle Favco Berhad ("FFB") and Favelle Favco Cranes (USA) Inc ("FFU")
Supreme Court of the State of New York**

There was no changes on the status since last annual balance sheet date on 31 December 2009.

**ii. Commencement of Arbitration by the Company against Gerbang Perdana Sdn Bhd
Kuala Lumpur Regional Center for Arbitration**

There was no changes on the status since last annual balance sheet date on 31 December 2009.

25. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	31.3.2010		31.3.2010	
Net profit attributable to the shareholders of the Company (RM'000)	5,298	5,298	5,298	5,298
Weighted average number of ordinary shares in issue ('000)	392,768	394,510	392,768	394,510
Effect of dilution ('000)	-	-	10,673	8,540
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	392,768	394,510	403,441	403,050
EPS (Sen)	1.35	1.34	1.31	1.31

By order of the Board of Directors

Company Secretary

Date : 31 May 2010