

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 2010 (2ND QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.6.2010 RM'000	AUDITED AS AT 31.12.2009 RM'000
Assets		(RESTATED)
Property, plant and equipment	516,552	545,016
Investment in associates	136,055	124,967
Goodwill and other intangible assets	21,600	21,600
Other non-current assets	28,681	26,969
Total non-current assets	702,888	718,552
Receivables, deposits and prepayments	902,111	919,081
Amount due from contract customers	434,724	330,227
Inventories	179,498	200,166
Current tax assets	4,385	1,168
Cash and cash equivalents	266,603	249,309
Total current assets	1,787,321	1,699,951
Total assets	2,490,209	2,418,503
Equity		
Share capital	198,857	198,685
Reserves	139,917	127,883
Total equity attributable to shareholders of the Company	338,774	326,568
Minority interests	99,961	101,504
Total equity	438,735	428,072
Liabilities		
Payables and accruals	16,151	16,905
Loans and borrowings	281,320	170,015
Deferred tax liabilities	25,224	21,716
Total non-current liabilities	322,695	208,636
Provision, payables and accruals	729,908	858,307
Amount due to contract customers	393,665	351,635
Bills payables	528,032	466,356
Loans and borrowings	57,163	86,050
Tax liabilities	20,011	19,447
Total current liabilities	1,728,779	1,781,795
Total liabilities	2,051,474	1,990,431
Total equity and liabilities	2,490,209	2,418,503
Net assets per share attributable to shareholders of the Company (RM)	0.86	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 30 JUNE 2010 (2ND QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.6.2010 RM'000	30.6.2009 RM'000	30.6.2010 RM'000	30.6.2009 RM'000
Revenue		463,280	580,600	873,857	961,794
Cost of sales and operating expenses		(442,008)	(564,415)	(849,853)	(929,453)
Other income		968	4,822	2,022	7,482
Results from operating activities		22,240	21,007	26,026	39,823
Interest income		560	204	1,079	528
Finance costs		(10,797)	(2,891)	(12,784)	(5,562)
Operating profit		12,003	18,320	14,321	34,789
Share of profit after tax and minority interest of equity accounted associates		7,432	6,181	13,949	13,221
Profit before tax and exceptional items		19,435	24,501	28,270	48,010
Exceptional items	5	-	-	-	-
Profit before tax		19,435	24,501	28,270	48,010
Tax expense	18	(5,378)	(8,942)	(7,476)	(14,048)
Profit for the period		14,057	15,559	20,794	33,962
Other comprehensive income					
Foreign currency translation differences for foreign operations		(4,389)	2,752	(16,352)	6,792
Other comprehensive income for the period		(4,389)	2,752	(16,352)	6,792
Total comprehensive income for the period		9,668	18,311	4,442	40,754
Profit attributable to:					
Owners of the Company		10,785	14,138	16,083	29,299
Minority interests		3,272	1,421	4,711	4,663
Profit for the period		14,057	15,559	20,794	33,962
Total comprehensive income attributable to:					
Owners of the Company		10,973	14,418	4,727	32,446
Minority interests		(1,305)	3,893	(285)	8,308
Total comprehensive income for the period		9,668	18,311	4,442	40,754
Earnings per ordinary share					
Basic (Sen)	25	2.73	3.72	4.06	7.71
Diluted (Sen)	25	2.66	3.62	3.98	7.49

(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.)

MUHIBBAH ENGINEERING (M) BHD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 30 JUNE 2010 (2ND 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	Total equity 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	87	-	4	-	-	91	37	128
Share-based payments	-	-	332	-	-	332	54	386
Total comprehensive income for the period	-	-	-	3,147	29,299	32,446	8,308	40,754
At 30 June 2009	<u>196,556</u>	<u>(5,561)</u>	<u>39,457</u>	<u>14,882</u>	<u>228,953</u>	<u>474,287</u>	<u>96,028</u>	<u>570,315</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	<u>198,685</u>	<u>(5,561)</u>	<u>37,722</u>	<u>14,405</u>	<u>86,297</u>	<u>331,548</u>	<u>96,524</u>	<u>428,072</u>
Share options exercised	172	-	3	-	-	175	3,699	3,874
Share-based payments	-	-	44	-	-	44	23	67
Issuance of warrants	-	-	2,280	-	-	2,280	-	2,280
Total comprehensive income for the period	-	-	-	(11,356)	16,083	4,727	(285)	4,442
At 30 June 2010	<u>198,857</u>	<u>(5,561)</u>	<u>40,049</u>	<u>3,049</u>	<u>102,380</u>	<u>338,774</u>	<u>99,961</u>	<u>438,735</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 30 JUNE 2010 (2ND QUARTER)

	Unaudited YTD 30.6.2010 RM'000	Audited YTD 30.6.2009 RM'000
Operating profit before interest, tax, depreciation and amortisation	67,319	93,665
Net changes in working capital	(169,429)	109,554
Net income taxes paid	(3,163)	(14,117)
Net cash (used in)/generated from operating activities	(105,273)	189,102
Net cash used in investing activities	(8,727)	(40,322)
Net cash generated from/(used in) financing activities	130,259	(174,599)
Net increase /(decrease) in cash and cash equivalents	16,259	(25,819)
Cash and cash equivalents at 1 January	247,242	208,522
Currency translation differences	(1,623)	2,433
Cash and cash equivalents at 30 June	261,878	185,136

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

	30.6.2010 RM'000	30.6.2009 RM'000
Cash and bank balances	176,806	118,253
Deposits placed with licensed banks	89,797	77,992
Cash and cash equivalents per balance sheet	266,603	196,245
Bank overdrafts	(4,725)	(11,109)
	261,878	185,136

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

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**ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 JUNE 2010 (2ND 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 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 labeled 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

- a) During the current quarter ended 30 June 2010, a total of 343,000 new ordinary shares of RM0.50 each was issued at RM0.51, pursuant to the exercise of the Employees' Share Option Scheme.
- b) 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.

Other than as mentioned above, there were no cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter under review.

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 30.6.2010	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	645,695	8,091
Cranes	168,137	11,016
Marine ship repair and ship building	222,289	35,204
Concession	-	14,443
	<hr/>	<hr/>
	1,036,121	68,754
Less: Elimination	(162,264)	(40,484)
	<hr/>	<hr/>
	<u>873,857</u>	<u>28,270</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

There is no material subsequent event from the end of the period to 23 August 2010.

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>181,645</u>

14. COMPARISON WITH PRECEDING QUARTER RESULTS (Q2 2010 vs. Q1 2010)

The Group generated a consolidated revenue of RM463.3 million for the current quarter under review as compared to RM410.6 million consolidated revenue in the last quarter, representing an increase of 13% in the consolidated revenue during the current quarter.

The Group registered a more than double consolidated profit before tax of RM19.4 million for the current quarter under review as compared to RM8.8 million recorded in the previous quarter.

15. REVIEW OF GROUP PERFORMANCE (YTD Q2 2010 vs. YTD Q2 2009)

The Group generated a lower consolidated revenue of RM873.9 million for the 6 months period ended 30 June 2010 as compared to RM961.8 million recorded in the last year corresponding period.

The Group registered a lower consolidated profit before tax of RM28.3 million for the current period ended 30 June 2010 under review as compared to the consolidated profit before tax of RM48.0 million for the last corresponding period ended 30 June 2009. The Shipyard and Concession Divisions continue to be the main earnings contributor to the Group.

16. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 23 August 2010, the total outstanding secured order book in hand of the Group is RM2.53 billion, comprises of RM1.6 billion from Infrastructure Construction Division, RM450 million from Cranes Division and RM484 million from Shipyard Division. These outstanding secured order books will take us into 2013.

b) Current Year Prospect

The global 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 30.6.2010 RM'000	Cumulative Qtr To date 30.6.2010 RM'000
Corporate tax expense		
Malaysia - current	(5,494)	(3,897)
Overseas - current	(1,713)	(1,897)
	(7,207)	(5,794)
Deferred tax expense		
Malaysia - current	1,829	(1,682)
Overseas - current	-	-
	1,829	(1,682)
Total tax expense	<u>(5,378)</u>	<u>(7,476)</u>

The Group's effective tax rate for the current period is slightly 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

Please refer to Note 7 (b).

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	13,351	13,351
	USD	7,399	24,205
	Sub- total		37,556
b) Hire purchase and finance lease	RM	115	115
	DKK	411	220
	Sub- total		335
Total Short Term Borrowings			57,163
a) Long term borrowings			
Secured	RM	231,774	231,774
	Sub-total		231,774
Unsecured	RM	39,492	39,492
	USD	2,879	9,418
	Sub-total		48,910
b) Hire purchase and finance lease	DKK	1,189	636
	Sub-total		636
Total Long Term Borrowings			281,320
Total borrowings			338,483

23. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 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	(56,748)	(48,761)
- Purchase NOK, sell RM	(43,816)	(38,541)
- Sell USD, buy RM	486,665	465,231
- Sell USD, buy AUD	25,639	26,853
- Sell Euro, buy RM	130,413	105,467
TOTAL	542,153	510,249

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. There is minimal credit and market risk because the contracts are hedged with reputable banks.

24. CHANGES IN MATERIAL LITIGATION

There were no litigations that have material effect to the Group as at 23 June 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**
- ii. **Commencement of Arbitration by the Company against Gerbang Perdana Sdn Bhd
Kuala Lumpur Regional Center for Arbitration**

There were no changes on the status of the above cases since last annual balance sheet date on 31 December 2009.

25. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current 30.6.2010	Cumulative 30.6.2010	Current 30.6.2010	Cumulative 30.6.2010
Net profit attributable to the shareholders of the Company (RM'000)	10,785	16,083	10,785	16,083
Weighted average number of ordinary shares in issue ('000)	395,551	395,734	395,551	395,734
Effect of dilution ('000)	-	-	10,396	8,322
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	395,551	395,734	405,947	404,056
EPS (Sen)	2.73	4.06	2.66	3.98

By order of the Board of Directors
Company Secretary
Date : 26 August 2010