

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

ANNOUNCEMENT OF THE UNAUDITED RESULTS OF THE GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2010 (3RD QUARTER)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.9.2010 RM'000	AUDITED AS AT 31.12.2009 RM'000
Assets		(RESTATED)
Property, plant and equipment	510,816	545,016
Investment in associates	134,770	124,967
Goodwill and other intangible assets	21,600	21,600
Other non-current assets	29,314	26,969
Total non-current assets	696,500	718,552
Receivables, deposits and prepayments	860,246	919,081
Amount due from contract customers	515,999	330,227
Inventories	173,646	200,166
Current tax assets	5,554	1,168
Cash and cash equivalents	220,495	249,309
Total current assets	1,775,940	1,699,951
Total assets	2,472,440	2,418,503
Equity		
Share capital	198,962	198,685
Reserves	139,178	127,883
Total equity attributable to shareholders of the Company	338,140	326,568
Minority interests	102,955	101,504
Total equity	441,095	428,072
Liabilities		
Payables and accruals	15,305	16,905
Loans and borrowings	270,951	170,015
Deferred tax liabilities	22,365	21,716
Total non-current liabilities	308,621	208,636
Provision, payables and accruals	653,842	858,307
Amount due to contract customers	400,026	351,635
Bills payables	517,301	466,356
Loans and borrowings	129,292	86,050
Tax liabilities	22,263	19,447
Total current liabilities	1,722,724	1,781,795
Total liabilities	2,031,345	1,990,431
Total equity and liabilities	2,472,440	2,418,503
Net assets per share attributable to shareholders of the Company (RM)	0.85	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 SEPTEMBER 2010 (3RD QUARTER)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current/Preceding Qtr Ended		Cumulative Qtr YTD	
		30.9.2010 RM'000	30.9.2009 RM'000	30.9.2010 RM'000	30.9.2009 RM'000
Revenue		289,134	610,949	1,162,991	1,572,743
Cost of sales and operating expenses		(270,613)	(615,172)	(1,120,466)	(1,544,624)
Other income		4,299	2,397	6,321	9,879
Results from operating activities		22,820	(1,826)	48,846	37,998
Interest income		1,165	526	2,244	1,054
Finance costs		(4,137)	(1,065)	(16,921)	(6,627)
Operating profit		19,848	(2,365)	34,169	32,425
Share of profit after tax and minority interest of equity accounted associates		1,461	7,365	15,410	20,586
Profit before tax and exceptional items		21,309	5,000	49,579	53,011
Exceptional items	5	-	-	-	-
Profit before tax		21,309	5,000	49,579	53,011
Tax expense	18	(8,712)	(11,301)	(16,188)	(25,350)
Profit for the period		12,597	(6,301)	33,391	27,661
Other comprehensive income					
Foreign currency translation differences for foreign operations		249	2,752	(16,103)	8,560
Other comprehensive income for the period		249	2,752	(16,103)	8,560
Total comprehensive income for the period		12,846	(3,549)	17,288	36,221
Profit attributable to:					
Owners of the Company		8,635	(8,998)	24,718	20,301
Minority interests		3,962	2,697	8,673	7,360
Profit for the period		12,597	(6,301)	33,391	27,661
Total comprehensive income attributable to:					
Owners of the Company		6,758	(8,718)	11,485	24,114
Minority interests		6,088	5,169	5,803	12,107
Total comprehensive income for the period		12,846	(3,549)	17,288	36,221
Earnings per ordinary share					
Basic (Sen)	25	2.18	(2.36)	6.24	5.34
Diluted (Sen)	25	2.15	(2.30)	6.17	5.21

(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 30 SEPTEMBER 2010 (3RD 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	2,086	-	34	-	-	2,120	1,246	3,366
Share-based payments	-	-	561	-	-	561	122	683
Dividends to shareholders	-	-	-	-	(7,399)	(7,399)	-	(7,399)
Dividends to minority interests	-	-	-	-	-	-	(1,854)	(1,854)
Total comprehensive income for the period	-	-	-	3,147	29,299	32,446	8,308	40,754
At 30 September 2009	<u>198,555</u>	<u>(5,561)</u>	<u>39,716</u>	<u>14,882</u>	<u>221,554</u>	<u>469,146</u>	<u>95,451</u>	<u>564,597</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	277	-	6	-	-	283	3,740	4,023
Share-based payments	-	-	(31)	-	-	(31)	43	12
Issuance of warrants	-	-	2,280	-	-	2,280	-	2,280
Dividends to shareholders	-	-	-	-	(7,425)	(7,425)	-	(7,425)
Dividends to minority interests	-	-	-	-	-	-	(3,155)	(3,155)
Total comprehensive income for the period	-	-	-	(13,233)	24,718	11,485	5,803	17,288
At 30 September 2010	<u>198,962</u>	<u>(5,561)</u>	<u>39,977</u>	<u>1,172</u>	<u>103,590</u>	<u>338,140</u>	<u>102,955</u>	<u>441,095</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 SEPTEMBER 2010 (3RD QUARTER)

	Unaudited YTD 30.9.2010 RM'000	Audited YTD 30.9.2009 RM'000
Operating profit before interest, tax, depreciation and amortisation	115,691	110,802
Net changes in working capital	(279,325)	184,424
Net income taxes paid	(11,790)	(17,972)
Net cash (used in)/generated from operating activities	(175,424)	277,254
Net cash used in investing activities	(21,274)	(41,340)
Net cash generated from/(used in) financing activities	127,818	(264,214)
Net decrease in cash and cash equivalents	(68,880)	(28,300)
Cash and cash equivalents at 1 January	247,242	208,522
Currency translation differences	8,249	6,379
Cash and cash equivalents at 30 September	186,610	186,601

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

	30.9.2010 RM'000	30.9.2009 RM'000
Cash and bank balances	159,862	102,757
Deposits placed with licensed banks	60,633	90,774
Cash and cash equivalents per balance sheet	220,495	193,531
Bank overdrafts	(33,885)	(6,930)
	186,610	186,601

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 30 SEPTEMBER 2010 (3RD 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 qualification.

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 period ended 30 September 2010, a total of 553,000 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 finance 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 period under review.

8. DIVIDEND PAYMENT

A first and final dividend of 5% less 25% tax per ordinary share of RM0.50 each totaling RM7.4 million in respect of the year ended 31 December 2009 was paid on 27 July 2010.

The Directors do not recommend any interim dividend for the current financial quarter under review.

9. SEGMENT REVENUE AND RESULTS

Financial data by business segment for the Group:

	Quarter ended 30.9.2010	
	Revenue RM'000	Profit before tax RM'000
Infrastructure construction	845,144	35,106
Cranes	284,821	22,471
Marine ship repair and ship building	329,865	53,746
Concession	-	19,057
	<hr/>	<hr/>
	1,459,830	130,380
Less: Group elimination	(296,839)	(80,801)
	<hr/>	<hr/>
	<u>1,162,991</u>	<u>49,579</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 19 November 2010.

12. MATERIAL CHANGES IN THE GROUP'S COMPOSITION

There were no major changes in the composition of the Group during the current quarter 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 Company except for the following:

	RM'000
Corporate guarantees for credit facilities granted to subsidiary companies	<u>120,609</u>

14. COMPARISON WITH PRECEDING QUARTER RESULTS (Q3 2010 vs. Q2 2010)

The consolidated profit before tax is higher by 9.7% from RM19.43 million for the second quarter of the current year to RM21.31 in the third quarter of the current year. This is mainly contributed by the Shipyard Division.

15. REVIEW OF GROUP PERFORMANCE (YTD Q3 2010 vs. YTD Q3 2009)

The Group reported a marginal lower consolidated profit before tax of RM49.58 million for the current period ended 30 September 2010 under review as compared to RM53.01 million for the last corresponding period ended 30 September 2009. The Shipyard and Cranes Divisions continue to be the main earnings contributor to the Group.

16. GROUP'S CURRENT YEAR PROSPECT

a) Secured Order Book

As at 19 November 2010, the total outstanding secured order book in hand of the Group is RM2.78 billion, comprises of RM1.97 billion from Infrastructure Construction Division, RM429 million from Cranes Division and RM381 million from Shipyard Division. These outstanding secured order books will take us into 2013.

b) Current Year Prospect

With the launching of Economic Transformation Programme by Malaysian Government as well as the improving sentiment in the global oil and gas industries, the Group is on track to achieve satisfactory performance for the year onwards.

17. PROFIT FORECAST

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

18. TAXATION

	Current Quarter 30.9.2010 RM'000	Cumulative Qtr To date 30.9.2010 RM'000
Corporate tax expense		
Malaysia - current	(8,380)	(10,106)
Overseas - current	(885)	(2,782)
	(9,265)	(12,888)
Deferred tax expense		
Malaysia - current	553	(3,300)
Overseas - current	-	-
	553	(3,300)
Total tax expense	<u>(8,712)</u>	<u>(16,188)</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

The were no outstanding corporate proposals during the quarter under review.

22. GROUP BORROWINGS AND DEBT SECURITIES

	Foreign Currency		RM'000
	Currency	Amount	
a) Short term borrowings			
Secured	RM	19,272	19,272
	AUD	4	12
	Sub- total		19,284
Unsecured	RM	94,476	94,476
	USD	4,924	15,198
	Sub- total		109,674
b) Hire purchase and finance lease	RM	101	101
	DKK	413	233
	Sub- total		334
Total Short Term Borrowings			129,292
a) Long term borrowings			
Secured	RM	226,996	226,996
	Sub-total		226,996
Unsecured	RM	38,117	38,117
	USD	1,693	5,225
	Sub-total		43,342
b) Hire purchase and finance lease	DKK	1,086	613
	Sub-total		613
Total Long Term Borrowings			270,951
Total borrowings			400,243

23. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 September 2010, the Group had the following outstanding derivative financial instruments:

Derivatives	Contract value	Market value as at 30 September 2010
	RM'000	RM'000
Forward foreign exchange contracts		
- Purchase USD, sell RM	(45,000)	(44,469)
- Purchase Euro, sell RM	(34,239)	(30,917)
- Purchase NOK, sell RM	(21,744)	(22,273)
- Sell USD, buy RM	421,537	386,760
- Sell USD, buy AUD	27,653	25,571
- Sell Euro, buy RM	130,541	111,384

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.

The difference between the above forward foreign 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.

24. CHANGES IN MATERIAL LITIGATION

There were no litigations that have material effect to the Group as at 19 November 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 were no changes on the status of the above cases since last annual balance sheet date on 31 December 2009.

ii. Litigation against Gerbang Perdana Sdn Bhd Kuala Lumpur Regional Center for Arbitration

During the quarter under review, the Company has entered into a Settlement Agreement with Gerbang Perdana Sdn Bhd ("GPSB") after taking into consideration the settlement sum proposed by GPSB to resolve the case accordingly.

25. EARNINGS PER SHARE ("EPS")

a) Basic EPS

	Basic EPS		Diluted EPS	
	Current	Cumulative	Current	Cumulative
	30.9.2010		30.9.2010	
Net profit attributable to the shareholders of the Company (RM'000)	8,635	24,718	8,635	24,718
Weighted average number of ordinary shares in issue ('000)	396,078	395,850	396,078	395,850
Effect of dilution: Share options ('000)	-	-	4,750	4,750
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	396,078	395,850	400,828	400,600
EPS (Sen)	2.18	6.24	2.15	6.17

By order of the Board of Directors

Company Secretary

Date : 26 November 2010