ANNUAL REPORT
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MUHIBBAH ENGINEERING (M) BHD

Company No.: 12737-K

Corporate Information

Board of Directors

Tuan Haji Mohamed Taib bin Ibrahim *(Chairman, Independent Non-Executive Director)*

Datuk Zakaria bin Abdul Hamid *(Vice Chairman, Independent Non-Executive Director)*

Mac Ngan Boon @ Mac Yin Boon *(Managing Director)*

Ooi Sen Eng *(Executive Director)*

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor *(Senior Independent Non-Executive Director)*

Low Ping Lin *(Executive Director)*

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar *(Independent Non-Executive Director)*

Lim Teik Hin *(Non-Independent and Non-Executive Director)*

Abd Hamid bin Ibrahim *(Independent Non-Executive Director)*

Mac Chung Jin *(Alternate Director to Ooi Sen Eng)*

Audit Committee

Tuan Haji Mohamed Taib bin Ibrahim *(Chairman)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Datuk Zakaria bin Abdul Hamid
Lim Teik Hin

Company Secretaries

Lee Poh Kwee *(MIA 8033)*
Chin Ngeok Mui *(MAICSA 7003178)*
See Siew Cheng *(MAICSA 7011225)*

Registered Office

Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama
41300 Klang, Selangor Darul Ehsan, Malaysia
Tel: 603-3342 4323 Fax: 603-3342 4327

Auditors

KPMG *(Firm No. AF0758)*
Chartered Accountants
Level 10 KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia

Principal Bankers

Affin Bank Berhad
Alliance Bank Malaysia Berhad
Ambank (Malaysia) Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad
Bank of Tokyo – Mitsubishi UFJ
HSBC Bank Malaysia Berhad
Kuwait Finance House (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad

Share Registrar

Tricor Investor Services Sdn Bhd
(Formerly known as Tenaga Koperat Sdn Bhd)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel : 603-2264 3883 Fax: 603-2282 1886

Stock Exchange Listing

Muhibbah Engineering (M) Bhd
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Muhibah
Bursa Stock Code: 5703
Bloomberg Stock Code: MUHI MK
Listing Date: 25 February 1994

Favelle Favco Berhad
Main Market of Bursa Malaysia Securities Berhad
Stock Name: Favco
Bursa Stock Code: 7229
Bloomberg Stock Code: FFB MK
Listing Date: 15 August 2006

Investor Relations

Tel: 603- 3349 5444 Fax: 603- 3344 6302
Email: ir@muhibbah.com.my

Website

www.muhibbah.com
www.favellefavco.com

Contents

Toll Plaza construction work in progress for South Klang Valley Expressway ("SKVE") Project

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of Muhibbah Engineering (M) Bhd will be held at Concorde Hotel Shah Alam, Concorde II, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 28 June 2010 at 3:30 p.m. for the following purposes :-

Agenda

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve a First and Final Dividend of 5% less 25% income tax in respect of the financial year ended 31 December 2009. **Resolution 2**

3. To re-elect the following Directors who retire pursuant to Article 79 of the Company's Articles of Association :-

   (i) Ooi Sen Eng **Resolution 3**
   (ii) Low Ping Lin **Resolution 4**
   (iii) Lim Teik Hin **Resolution 5**

4. To consider and, if thought fit, to pass the following resolution :- **Resolution 6**

   "**THAT** Tuan Haji Mohamed Taib bin Ibrahim, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company in accordance with Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting."

5. To appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto, has been received by the Company for the nomination of Messrs Crowe Horwath (AF: 1018), who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

   "**THAT** Messrs Crowe Horwath (AF: 1018) be and is hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG and to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration."

As Special Business
To consider and, if thought fit, to pass with or without modifications, the following resolutions :-

6. **Ordinary Resolution** **Resolution 8**
   Proposed Renewal of Share Buy-Back Authority

   "**THAT** subject to the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), Companies Act, 1965 ("the Act"), and the Articles of Association of the Company, the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.50 each in the Company through Bursa Securities, as may be determined by the Directors of the Company from time to time upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

Notice of Annual General Meeting (continued)

(i) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time;

(ii) the funds allocated by the Company for the Proposed Share Buy-Back shall not exceed the aggregate retained profits and share premium accounts of the Company; and

(iii) the authority conferred by this resolution shall continue to be in force until :-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which this resolution was passed, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, whether unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in the following manner :-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares, for distribution as share dividends to the shareholders and/or resell on the market of Bursa Securities; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Share Buy-Back with full power to assent to any modifications and/or amendments as may be required by the relevant authorities."

7. Ordinary Resolution

Resolution 9

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")

"**THAT** subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in 2.1.2 of the Circular to Shareholders ("Circular") dated 4 June 2010 provided that such transactions are undertaken in the ordinary course of business, at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders of the Company.

THAT the Proposed Renewal of Shareholders' Mandate conferred by this resolution shall continue to be in force until:-

Notice of Annual General Meeting (continued)

(a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the Mandate is renewed; or

(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by a resolution passed by the Company's shareholders in a general meeting

whichever is the earliest.

AND THAT the Directors of the Company be and are hereby authorised to take all steps and to do all such acts and deeds as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate."

8. Special Resolution

Resolution 10

Proposed Amendments to the Articles of Association of the Company

"Article 73 – Rights to appoint proxy and rights to vote

THAT the existing Article 73(a) be deleted in its entirety and replaced with the new Article 73(a) of the Articles of Association, which shall read as follows:-

73. (a) A Member shall be entitled to be present and to vote on any question either personally or by proxy, or as proxy for another Member at any General Meeting, or upon a poll and to be reckoned in a quorum in respect of any fully paid-up shares and of any shares upon which calls due and payable to the Company shall have been paid. In accordance with Section 149 of the Act, a Member shall not be entitled to appoint a person who is not a Member of the Company as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies, such appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

THAT the existing Article 73 be amended by inserting the following new Article numbered as Article 73(d) immediately after Article 73(c) of the Articles of Association of the Company:-

73. (d) If a Member having appointed a proxy/proxies to attend a general meeting attends such meeting in person, the appointment of such proxy/proxies shall be null and void in respect of such meeting and his proxy/proxies shall not be entitled to attend such meeting.

Article 74 – How instrument to be executed

THAT the existing Article 74 be deleted in its entirety and replaced with the new Article 74 of the Articles of Association, which shall read as follows:-

The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, either under its common seal, or the hand of its attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand a poll on behalf of the appointor.

Notice of Annual General Meeting (continued)

Article 75 – Instrument to be left at the Company's office

THAT the existing Article 75 be deleted in its entirety and replaced with the new Article 75 of the Articles of Association, which shall read as follows:-

The instrument appointing a proxy shall be left at the Office or such other place in Malaysia as is specified for that purpose in the notice convening the meeting, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the instrument shall be deemed to be invalid and the person so named shall not be entitled to vote in respect thereof.

Article 76 – Form of proxy

THAT the footnote to the Form of Proxy of the existing Article 76 be amended and shall read as follows :-

In accordance with Section 149 of the Act, a Member shall not be entitled to appoint a person who is not a Member of the Company as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.

Article 123 – Dividends Payable by Cheque

THAT the existing Article 123 be deleted in its entirety and replaced with the new Article 123 of the Articles of Association, which shall read as follows:-

123. (a) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto, or, if two or more persons are registered as joint holders of the shares or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such person and such address as such person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

(b) Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Listing Requirements and/or regulatory authorities, payment of dividends may be made by direct transfer or such other mode of electronic means to the bank account of the holder whose name appear in the register of members or Record of Depositors or, if more than one person is entitled thereto in consequence of the death or bankruptcy of the holder, payment in such manner to the bank account of any one of such persons or to the bank account of such person as such persons may by writing direct. The payment of any dividends by such electronic means shall constitute a good and full discharge to the Company of the dividends to which it relates regardless of any discrepancy given by the member in the details of bank account(s)."

9. To transact any other business of which due notice shall have been given.

Notice of Annual General Meeting (continued)

Notes :-

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. Proxy/proxies may but need not be a member/members of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the Company's Registered Office at Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the Meeting or at any adjournment thereof.

Explanatory notes on Special Business

5. **Resolution pertaining to the Proposed Renewal of Share Buy-Back Authority**
For Resolution 8, the detailed information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement/Circular to Shareholders dated 4 June 2010 which is dispatch together with the Company's Annual Report 2009.

6. **Resolution pertaining to the Proposed Renewal of Shareholders' Mandate**
For Resolution 9, the detailed information on the Proposed Renewal of Shareholders' Mandate is set out in Statement/Circular to Shareholders dated 4 June 2010 which is dispatch together with the Company's Annual Report 2009.

7. **Resolution pertaining to the Proposed Amendments to the Articles of Association**
The proposed amendments to the Articles of Association of the Company are to be in line with the recent directive by Bursa Malaysia Securities Berhad on the implementation of Electronic Dividend Payment (eDividend) and to further enhance on the administration of the internal affairs of the Company.

Notice of Dividend Entitlement and Payment Date

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 5% less 25% income tax in respect of the financial year ended 31 December 2009, if approved by the shareholders at the forthcoming Thirty-Seventh Annual General Meeting, will be paid on 28 July 2010 to Depositors whose names appear in the Record of Depositors at the close of business on 12 July 2010.

A Depositor shall qualify for entitlement to the dividend only in respect of :-

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 12 July 2010 in respect of ordinary transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

LEE POH KWEE (MIA 8033)
CHIN NGEOK MUI (MAICSA 7003178)
SEE SIEW CHENG (MAICSA 7011225)
Company Secretaries

Selangor Darul Ehsan
4 June 2010

Notice of Nomination of Auditors

Date: 17 May 2010

The Board of Directors
Muhibbah Engineering (M) Bhd.
Lot 586 & 579, 2nd Mile, Jalan Batu Tiga Lama,
41300 Klang,
Selangor Darul Ehsan.

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of the Company hereby give notice of my intention to nominate Messrs. Crowe Horwath for appointment as new auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting:

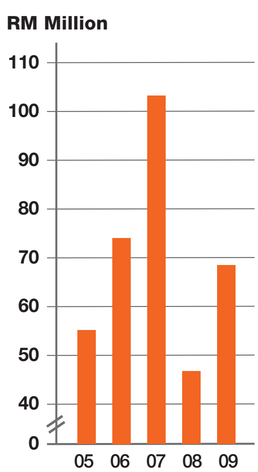
"THAT Messrs Crowe Horwath (AF: 1018) be and is hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG and to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to determine their remuneration."

Yours faithfully,

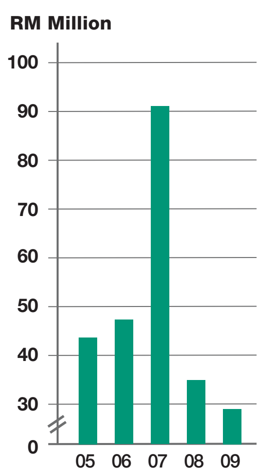
Ooi Sen Eng

Group Financial Highlights

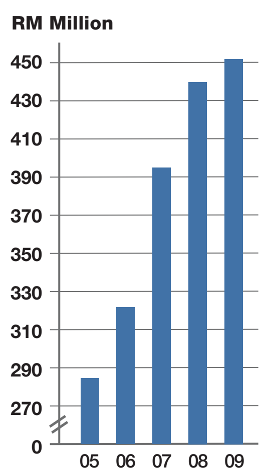
	2005	2006	2007	2008	2009
Turnover (RM'000)	970,740	1,086,414	1,411,533	2,033,535	**2,252,049**
Profit Before Tax and Exceptional Items (RM'000)	55,297	73,857	103,005	44,930	**68,182**
Profit After Tax Before Minority Interest (RM'000)	43,046	47,831	90,285	34,871	**28,885**
Profit After Tax and Minority Interest (RM'000)	26,061	33,800	70,060	21,800	**12,680**
Total Equity Attributable to Shareholders of the Company (RM'000)	287,239	321,437	393,623	441,418	**450,188**
Share Capital (RM'000)	144,568	149,618	191,783	196,469	**198,685**
Basic Earnings Per Ordinary Share Attributable to Shareholders of the Company (Sen)	7.21	9.17	18.60	5.64	**3.21**
Net Assets Per Ordinary Share Attributable to Shareholders of the Company (RM)	0.79	0.86	1.04	1.13	**1.14**



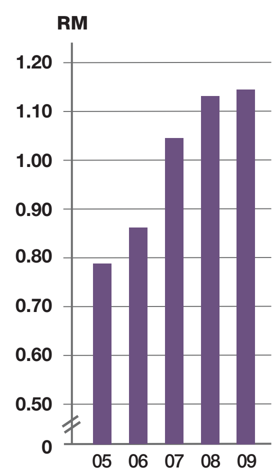
Profit Before Tax and Exceptional Items



Profit After Tax Before Minority Interest



Total Equity Attributable to Shareholders of the Company



Net Assets Per Ordinary Share Attributable to Shareholders of the Company

Chairman's Statement

Mohamed Taib Bin Ibrahim
(Chairman, Independent Non-Executive Director)

"Moving forward, the Group is continuously exploring new business opportunities and potential acquisitions globally to increase its order book and enhance its shareholders' value, with an aim to elevate the Group to greater heights amidst a challenging year ahead."

On behalf of the Board of Directors of Muhibbah Engineering (M) Bhd ("the Board"), I am pleased to present the Annual Report and the audited financial statements of Muhibbah Engineering (M) Bhd ("the Company" or "Muhibbah") and its subsidiary companies (the "Muhibbah Group" or "Group") for the financial year ended 31 December 2009.

Overview

The year 2009 was challenging for the Group as it witnessed a tough operating environment amidst the global financial crisis, with developed countries experiencing recession and economic depression. The Malaysian economy was not spared too from the impact of the global recession with the domestic sector contracting in the year.

The Group recorded a sales revenue of RM2.25 billion (2008: RM2.03 billion), an increase of 10.8%. The higher sales was mainly attributed to a higher turnover from the Infrastructure Construction and Shipyard Divisions.

Chairman's Statement (continued)

Construction of Catering Facility Building in New Doha International Airport, Qatar

Correspondingly, the Group reported a higher consolidated profit before tax of RM68.18 million for the year ended 31 December 2009, representing an increase of 51.2% from RM44.93 million in the previous corresponding period ended 31 December 2008. This was mainly attributable to the improved contribution and profitability from both Cranes and Shipyard Divisions. However, the Group recorded a lower net profit after tax and minority interests of RM12.68 million (2008: RM21.80 million) due to the additional cost incurred for the Yemen project.

In 2009, prudent management on the Group's leverage resulted in the net gearing of the Group being reduced to 0.86 times (2008: 1.35 times).

Key Financial Highlights

Some key financial highlights for financial year ended 31 December 2009 are:

- Group's turnover increased by 10.8% to RM2.25 billion (2008: RM2.03 billion);
- Group's profit before exceptional items, amortisation and tax was RM143.65 million (2008: RM123.62 million);
- Group's net profit after tax and minority interests was RM12.68 million (2008: RM21.80 million);
- Group's basic earnings per share was 3.21 sen (2008: 5.64 sen);
- Group's net assets per share grew from RM1.13 in 2008 to RM1.14 in 2009; and
- Return on equity ("ROE") was 5.2%, as compared to 6.6% achieved in 2008.

As at 30 March 2010, the total outstanding order book stands at approximately RM3.26 billion, comprising approximately RM2.0 billion, RM555 million and RM702 million from the construction and engineering, the cranes and the shipyard divisions respectively.

Dividends

The Board is pleased to recommend a first and final dividend of 5% (2.5sen) less 25% tax per ordinary

share of RM0.50 each (2008: 5% (2.5sen) less 25% tax per ordinary share of RM1.00 each) in respect of the financial year under review, subject to approval of the shareholders at the forthcoming Annual General Meeting. The total dividend payable amounts to RM7.42 million (2008: RM7.40 million).

Financial Performance

Details of the performance of each division of the Group for the financial year ended 31 December 2009 and future prospects of the Group are as follows:-

Construction and Engineering Division

Due to the global economic slowdown in year 2008, construction opportunities continued to reduce in year 2009 with very few new projects in the market. The year was one of consolidation of the Group's activities to prepare for an upswing, whenever it happens.

In the year 2009, we saw the completion of the works on the Yemen LNG Jetty. The Yemen LNG Jetty project suffered losses due to higher divers' cost at the final stage of the completion due to stringent and difficult conditions. Our other main contracts for the catering facilities at the New Doha International Airport ("NDIA") in Qatar and the South Klang Valley Expressway ("SKVE") project in Malaysia continued to make good progress.

In April 2010, the Company completed the deep water berth for Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") at Pasir Gudang, Johor. This is for the Gemusut Kakap oil field project and other deepwater projects.

As at 30 March 2010, the outstanding secured order book for the construction and engineering division stands at approximately RM2.0 billion. Existing unbilled order book from infrastructure construction projects will continue to contribute to our future earnings and cashflow for the next few years. Apart from the existing jobs, the Group is working to replenish its existing order book.

Chairman's Statement (continued)

Favelle Favco Offshore Crane

Favelle Favco Offshore Crane

Cranes Division

The global financial crisis in 2008 followed by the global economic slowdown in 2009 affected the entire equipment industry leading to moderation of oil and gas spending. Cranes order during the first half of 2009 remained slow.

However, enquiries increased in the later part of the year and the cranes division picked up sufficient work in the fourth quarter of 2009. Most of these projects are for the oil and gas sector and some for the wind turbine industry.

In the year 2009, the turnover of the cranes division decreased to RM533.20 million (2008: RM571.78 million) with 62% of the division's revenue being generated from overseas markets. Though our sales reduced by 10%, the average industry sales numbers dropped between 30% and 60% for our competitors.

Notwithstanding the slowdown, our listed subsidiary, Favelle Favco Berhad relentless pursuit of operational efficiencies resulted in better contribution margins which in turn resulted in the cranes division reporting a higher profit.

Furthermore, the cranes division embarked on initiatives to improve its after-sales services. The cranes division has started to offer after-sales support to

Favelle Favco Offshore Crane

our customers throughout their ownership of Favelle Favco cranes. The cranes division hopes to see better contribution from this.

As at 30 March 2010, the outstanding secured order book for the cranes division stands at approximately RM555 million and this will keep the cranes division busy for the year 2010. Approximately 70% is from the oil and gas sector with the remaining 30% from the shipyard, construction and wind turbines sectors.

Shipyard Division

Our shipyard division continues to perform and record commendable earnings with a reported profit after tax of RM34.1 million in the year under review. This is a substantial growth of 41.5% compared to the previous year of RM24.1 million.

In the year 2009, our shipyard delivered six (6) vessels, similar to the year 2008. Repeat orders from our customers show our customers' confidence and


75 Meter Accommodation Workboat

satisfaction with the performance of our yard and our vessels.

Demand for offshore support vessels is expected to remain steady and our customers are expected to secure work for vessels built by us.

The oil and gas industry continue to offer opportunities. Two (2) to three (3) vessels will be required to service each of the 60 to 70 oil and gas exploration platforms which are estimated to be built in Malaysia over the coming years. As such, this will be able to sustain the demand for the Group's vessels.


21 Meter Mooring Launch

Chairman's Statement (continued)

As at 30 March 2010, the outstanding secured order book for the shipyard division stands at approximately RM702 million and will last us until 2013. Anchor handling tugboats and offshore supply vessels continue to be the mainstay of the order book.

Concessions Division

The airports and road maintenance concessions business continued to be resilient. Earnings are generated from the Group's associated companies, namely Societe Concessionaire de l' Aeroport ("SCA") and Roadcare (M) Sdn Bhd ("Roadcare").

SCA owns the exclusive rights for privatisation of international airports in Cambodia. The Royal Government of Cambodia awarded SCA three (3) international airport operator concessions, namely the Phnom Penh International Airport, the Siem Reap International Airport and the Sihanoukville International Airport with concession periods of up to 2040.

Our Cambodian airports' international passengers fell by 12% from the year 2008 due to the general global economic slowdown and the political turmoil in Thailand.

Roadcare is principally involved in the maintenance and upgrading of roads under a 15-year concession period up to 2016 for road maintenance works for federal roads in the central region and the east coast of Peninsular Malaysia.

The above concession business continues to provide resilient and steady earnings.

Corporate and Business Development

RAM Rating Services Berhad ("RAM") had on 16 April 2010 accorded an enhanced long-term rating of AAA(s) with stable outlook to the Company's proposed RM130 million Islamic Bonds with 38 million detachable warrants of up to five (5) years ("the Corporate Exercise"). The AAA(s) rating is supported by an irrevocable and unconditional guarantee from Malayan Banking Berhad. On 27 April 2010, the Company successfully completed the Corporate Exercise and the proceeds raised were mainly utilised to refinance the existing bank borrowings of the Muhibbah Group. The issuance of Islamic Bonds will further stabilise and enhance the Group's cashflow with long-term borrowings having fixed interest rates over the next three (3) to five (5) years and hence, mitigate the risk of exposure to further increases in interest rates.

Upgraded quay crane track for K14 at Keppel Terminal, PSA, Singapore

Deepwater Berth construction at MMHE, Pasir Gudang Johor for Gemusut Kakap Project

Tank Farm Foundations and Jetty construction at Asia Petroleum Hub, Johor, Malaysia

Future Prospects

The global economy recovery continues to be uncertain. Moving forward, the pace of recovery will likely be slow and uneven. Given the global financial deleveraging process and the sovereign debt crisis appearing in the Europe market, the Group is watching very carefully its development.

Malaysian economy will see gradual recovery and signs of recovery are starting to emerge now. The Malaysian economy is expected to benefit from the Government's policies to push for growth.

The Malaysian construction sector is envisaged to expand 3.2% in 2010 (2009: 3.5%), with all sub-sectors registering steady growth. The sector is expected to benefit from the economic recovery and ongoing construction activities under the second stimulus package. In addition, exploration activities by oil and gas industries are expected to spur the oil and gas sector.

The oil price is gradually recovering in 2010. As the global economic slowly recovers, improving prices will spur development in these sectors and augurs well for our cranes and shipbuilding divisions.

Engineering, Procurement and Construction of the Central Oil Distribution Terminal ("CODT") in Tanjung Manis, Sarawak

Moving forward, the Group is continuously exploring new business opportunities and potential acquisitions globally to increase its order book and enhance its shareholders' value, with an aim to elevate the Group to greater heights. The Group's prospects for the year 2010 are expected to remain positive.

Corporate Governance

The Board is committed to maintaining high standards of corporate governance. The Board is committed to the Company's shareholders to ensure that good corporate governance is adopted and practised by the Muhibbah Group.

Bridge launching and Bridge foundation construction in progress for South Klang Valley Expressway ("SKVE") Project, Malaysia

Chairman's Statement (continued)

Siem Reap International Airport

Phnom Penh International Airport

Sihanoukville International Airport

Berthed LNG Ship at the completed Yemen LNG Jetty

The application of and compliance with the principles and best practices as set out in the Code of Corporate Governance, including a Statement on Internal Control, have been included in this Annual Report in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

Corporate Social Responsibility

The Group continually implements safety and health systems within the Group in accordance with the requirements of OHSAS 18001:2007 for each and every project undertaken and to ensure compliance with local and international standards. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. Other CSR activities of the Group in 2009 include its continual commitment to the preservation of the environment, charitable contributions to the welfare of the needy and the less fortunate, as well as undertaking support causes related to personal training and development of and recreational activities for our employees.

Acknowledgement and Appreciation

On behalf of the Board, I would like to extend our gratitude to the Management and staff of the Group for their continued commitment and relentless efforts to the Group during the year 2009, despite the challenging business environment. I am confident that once again we shall succeed in our concerted efforts as we embark on yet another year to elevate the Group to greater heights.

Last but not least, I would also like to record my sincere appreciation to all our customers, business partners, suppliers, bankers and shareholders for their continued support and unwavering confidence in us.

Tuan Haji Mohamed Taib bin Ibrahim
Chairman

Core Divisions as at 31 December 2009

MUHIBBAH ENGINEERING (M) BHD.
(12737-K)

- **INFRASTRUCTURE CONSTRUCTION**
  - 100% MEB CONSTRUCTION SDN. BHD.
  - 100% MUHIBBAH STEEL INDUSTRIES SDN. BHD.
  - 100% ELELINK SDN. BHD.
    - 60% ITS KONSORTIUM SDN. BHD.
  - 95% MUHIBBAH MARINE ENGINEERING (DEUTSCHLAND) GmbH
  - 90% MUHIBBAH PETROCHEMICAL ENGINEERING SDN. BHD.
  - 60% MUHIBBAH ENGINEERING (CAMBODIA) CO. LTD.
  - 50% FREYSSINET PSC (M) SDN. BHD.
- **CRANES**
  - 56.87% FAVELLE FAVCO BERHAD
    - 100% FAVELLE FAVCO CRANES (M) SDN. BHD.
    - 100% FAVELLE FAVCO CRANES PTE. LTD.
    - 100% FAVELLE FAVCO CRANES PTY. LIMITED
    - 100% FAVELLE FAVCO CRANES (USA), INC.
    - 100% KRØLL CRANES A/S
    - 100% FAVELLE FAVCO EQUIPMENT SERVICES SDN. BHD.
- **SHIPYARD**
  - 100% MUHIBBAH MARINE ENGINEERING SDN. BHD.
- **CONCESSIONS**
  - 70% MUHIBBAH MASTERON CAMBODIA JV LIMITED
    - 30% SOCIETE CONCESSIONAIRE DE l' AEROPORT
  - 21% ROADCARE (M) SDN. BHD.

Only major active companies are included here

Profile of Directors

Tuan Haji Mohamed Taib bin Ibrahim

Aged 85, Malaysian (Chairman, Independent Non-Executive Director)

Member of the Audit Committee, Remuneration Committee and Nomination Committee

Tuan Haji Mohamed Taib bin Ibrahim is the co-founder of Muhibbah Engineering (M) Bhd and has been an Independent Non-Executive Director of the Company since its inception on 4 September 1972. He was later appointed as Chairman of the Company on 22 May 1973, member of the Audit Committee on 31 December 1993 and on 21 February 2002 as Chairman of both the Nomination and Remuneration Committees.

He had an illustrious and colourful career when he was attached to the Education Department as organiser of schools. In 1967, he ventured into the private sector and helped set up Federal Flour Mills. His former positions in Federal Flour Mills were Administrative Manager and Alternate Director. He was also the Chairman of Kuantan Flour Mills Bhd in 1984. His foray into the marine industry started in 1969 when he was appointed the first Company Secretary of Malaysian International Shipping Corporation. In 1977, he was nominated to lead Johor-based Malaysian Shipyard and Engineering Bhd as the Company's President and Chief Executive Officer, positions which he relinquished in 1988.

He is also a Director of Favelle Favco Berhad.

Datuk Zakaria bin Abdul Hamid

Aged 66, Malaysian (Vice Chairman, Independent Non-Executive Director)

Member of the Audit Committee

Datuk Zakaria bin Abdul Hamid was appointed Vice Chairman of the Company on 20 February 2002 and member of the Audit Committee on 28 March 2003. He obtained a Bachelor of Arts with Honours Degree from the University of Malaya in 1969 and later furthered his studies in 1993 at the Royal College of Defence Studies in London. He started work in 1969 in the Government Service and later in the Prime Minister's Department. His last held position was Director General when he retired in early 2002.

He is also a Director of Landmarks Berhad.

Profile of Directors (continued)

Mac Ngan Boon @ Mac Yin Boon
Aged 66, Malaysian (Managing Director)

Member of the Remuneration Committee

Mac Ngan Boon is the co-founder and Managing Director of the Company since its inception on 4 September 1972. He has been a member of the Remuneration Committee since 21 February 2002.

He obtained a Bachelor of Engineering (Civil) Degree from the University of Western Australia in 1967. He has been a member of the Institute of Engineers Malaysia since 1978 and the Professional Engineer (Malaysia) since 1967. He started work as an engineer for a local construction company.

He has also been the Chairman of the Machinery and Equipment Manufacturers Association of Malaysia (MEMA) since 1998.

He is also a Director of Favelle Favco Berhad.

Ooi Sen Eng
Aged 68, Malaysian (Executive Director)

Member of the Audit Committee and Remuneration Committee

Ooi Sen Eng obtained his Bachelor of Engineering (Civil) Degree from the University of Malaya in 1966. He was admitted as a member of the Professional Engineer (Malaysia) in 1967 and later became a member of the Institute of Engineers Malaysia in 1978. He gained his early marine engineering construction experience from Zublin AG, a German construction company, where he worked for 6 years until he co-founded Muhibbah Engineering (M) Bhd in 1972. He was appointed Director on 26 May 1973, and a member of the Audit Committee and Remuneration Committee on 31 December 1993 and 21 February 2002 respectively.

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Aged 66, Malaysian (Senior Independent Non-Executive Director)

Member of the Audit Committee, Remuneration Committee and Nomination Committee

Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor was appointed to the Board as an Independent Non-Executive Director on 19 April 2001. He was appointed a member of the Audit Committee as well as Senior Independent Non-Executive Director on 27 December 2001 in accordance with the Malaysian Code of Corporate Governance, and to whom concerns of the Group may be conveyed. Dato' Seri Ahmad Ramli was further appointed member of the Nomination and Remuneration Committees on 21 February 2002.

He had a distinguished career with the Navy and retired as the Chief of the Royal Malaysian Navy in 1999. He is a graduate of the Indonesia Naval Staff College, the United States Naval War College and United States Naval Post-Graduate School in Monterey. Apart from his Naval Professional Qualification, he also obtained a Masters Degree in Public Administration from Harvard University in 1982.

He is presently also a Director of Favelle Favco Berhad, Affin Bank Berhad, Affin Islamic Bank Berhad, Boustead Heavy Industries Corporation Berhad and Comintel Corporation Bhd.

Profile of Directors (continued)

Low Ping Lin
Aged 56, Malaysian (Executive Director)

Low Ping Lin has held the position of Executive Director since 28 December 1993. He obtained a Bachelor's Degree in Civil Engineering from the University of Melbourne, Australia in 1976 and is also a member of the Institute of Engineers, Malaysia. Upon graduation, he joined Jabatan Kerja Raya in the Roads Department. He joined Muhibbah Engineering (M) Bhd in 1980 as Project Engineer.

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar
Aged 54, Malaysian (Independent Non-Executive Director)

Member of the Remuneration Committee and Nomination Committee

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar was appointed to the Board of Muhibbah Engineering (M) Bhd on 15 January 2001 and as a member of the Nomination and Remuneration Committees on 21 February 2002.

Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Oman has been actively involved in the political scene in Malaysia since 1982. From a Press Secretary to the Menteri Besar of Perak in 1982 till 1988 to a Political Secretary of the Menteri Besar of Perak from 1986 till 1999, he then moved on to become a Member of Parliament for the constituency of Larut from 1999. Before this, from 1990 to 1999, he was also Perak State Assemblyman for Batu Kurau.

He is also a Director of Ken Holdings Berhad and Majuperak Holdings Berhad.

Lim Teik Hin
Aged 69, Malaysian (Non-Independent and Non-Executive Director)

Member of the Audit Committee

Lim Teik Hin was appointed to the Board of Muhibbah Engineering (M) Bhd on 28 March 2003 as a Non-Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and CPA Australia. He graduated with an Accountancy Degree from Perth Technical College in 1966. He started his career with an accounting firm in Australia (L.A. Walker & Sons) and subsequently worked with KPMG (Penang) in Malaysia. He then joined Federal Aluminium (M) Bhd. as an Operations Manager. His last held position was Senior Manager in Muhibbah Engineering (M) Bhd.

He is also a Director of Favelle Favco Berhad.

Profile of Directors (continued)

Abd Hamid bin Ibrahim

Aged 62, Malaysian (Independent Non-Executive Director)

Abd Hamid Bin Ibrahim, a Malaysian aged 62, was appointed to the Board of Muhibbah Engineering (M) Bhd on 18 January 2006 as an Independent Non-Executive Director.

He holds a Masters degree in Petroleum Engineering from Heriot-Watt University, Scotland and a degree in Mining from the Camborne School of Mines, UK. He also attended the Advanced Management Programme at the Wharton School of Management, University of Pennsylvania, USA.

He joined PETRONAS in June 1976 as a Production Engineer in the Production Department and since then had held several managerial positions in the Upstream Sector (including as General Manager, Development Division, PETRONAS Carigali Sdn Bhd) until April 1991. He was the Managing Director/Chief Executive Officer of Ethylene Malaysia Sdn Bhd and Polyethylene Malaysia Sdn Bhd from May 1991-1996, Managing Director/ Chief Executive Officer of Malaysia LNG Sdn Bhd and MLNG Dua Sdn Bhd, and Project Director of MLNG Tiga Sdn Bhd from June 1996 prior to his appointment as Managing Director/Chief Executive Officer of PETRONAS Gas Bhd in September 1999. He was a member of the PETRONAS Management Committee for 7 years, from July 1996 until his retirement in June 2003.

He is the Editor-in-Chief of RESOURCE, the quarterly magazine of the Malaysian Petroleum Club since its inception in 1992. Apart from that, in July 2004, he was appointed as the PETRONAS representative to the Board of Trustees of CARIF (Cancer Research Initiatives Foundation). In May 2006 he was elected to the Executive Committee of the Malaysian Oil & Gas Services Council (MOGSC).

He is also a Director of Borneo Oil Berhad.

Mac Chung Jin

Aged 36, Malaysia (Alternate Director to Ooi Sen Eng)

Mac Chung Jin was appointed as an Alternate Director to Mr. Ooi Sen Eng of Muhibbah Engineering (M) Bhd on 2nd May 2008. He holds a Bachelor of Civil Engineering Degree from Oxford Brookes University, United Kingdom. He joined Muhibbah Engineering (M) Bhd in 1995 as a Project Engineer and from 1999 till to date he is Head of Business Development, overseeing local and international projects.

Other Information

Additional Information on Directors

1. **Family Relationship with any Director and/or major shareholder of Muhibbah Engineering (M) Bhd**

   None of the Directors have any relationship with each other and/or major shareholders of Muhibbah Engineering (M) Bhd except Mac Chung Jin and Lim Teik Hin. Mac Chung Jin is the son of Mac Ngan Boon @ Mac Yin Boon, the Managing Director and substantial shareholder of Muhibbah Engineering (M) Bhd whereas Lim Teik Him is the brother-in-law of Mac Ngan Boon @ Mac Yin Boon.

2. **Conflict of interest**

   None of the Directors have any conflict of interest with the Company.

3. **Convictions for Offences within the past 10 years, other than traffic offences**

   None of the Directors have been convicted for offences.

Additional Compliance Information

1. **Utilisation of Proceeds from Corporate Proposals**

   There were no proceeds raised from corporate proposals during the financial year.

2. **Share Buy-Backs**

   The Company did not repurchase any ordinary shares of RM0.50 each of its own shares from the open market of Bursa Malaysia Securities Berhad during the financial year ended 31 December 2009.

3. **Options, Warrants or Convertible Securities**

   Details of the exercise of employees' share options of the Company are disclosed on page 39 of this Annual report.

   Other than the exercise of employees' share options as mentioned above, the Company did not issue any warrants or convertible securities during the financial year.

4. **American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme**

   The Company did not sponsor any ADR or GDR programme during the financial year.

5. **Imposition of Sanctions and/or Penalties**

   During the financial year under review, there were no material sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory body.

6. **Non-Audit Fees**

   During the financial year ended 31 December 2009, there were no non-audit fees paid to the external auditors.

7. **Variation in Results**

   There were no significant variations between the audited results for the financial year ended 31 December 2009 and the unaudited results previously announced.

8. **Profit Estimate, Forecast or Projection**

   There was no profit estimate, forecast or projection announced by the Company and its subsidiary companies during the financial year ended 31 December 2009.

Other Information (continued)

9. Profit Guarantee

There were no profit guarantee given/received by the Company during the financial year.

10. Material Contracts

Save for the recurrent related party transactions disclosed as below, there were no material contracts entered into by the Company and its subsidiaries involving the interests of Directors and major shareholders, either still subsisting as at 31 December 2009 or entered into since the end of the previous financial year ended 31 December 2008.

11. Revaluation Policy on Landed Properties

The Company revalues its freehold land every 5 years or shorter interval, whichever the fair value of the freehold land is expected to differ materially from the carrying value.

12. Recurrent Related Party Transactions

At the Annual General Meeting held on 22 June 2009, the Company had obtained shareholders' mandate allowing the Group to enter into recurrent related party transactions of a revenue or trading nature as disclosed in the Circular to Shareholders dated 29 May 2009.

In accordance with Section 3.1.5 of Practice Note No. 12/2001 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of recurrent related party transactions conducted during the financial year ended 31 December 2009 pursuant to the shareholders' mandate are disclosed as follows :-

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2009 RM'000
MEB Group and FFB Group	Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon, Mac Chung Hui and Mazlan bin Abdul Hamid	Sales of cranes and parts and rental of cranes, plant and equipment by MEB Group to FFB Group; and subcontracting work awarded by FFB Group to MEB Group	19,626
		Purchases and rental of cranes and parts by MEB Group from FFB Group, and the provision of crane maintenance and services by FFB Group to MEB Group	1,537
		Rental of barges by FO from MEB and its related maintenance cost and sale of spare parts from MEB to FO	-
		# Rental of office building and factory located at 28, Yarrunga Street, Prestons, NSW 2170, Australia by MEB Group to FFB Group, measuring 11.6 acres	605
		# Rental of factory and office premises located at Lot 9895, Geran #26559, Kg. Jawa, Mukim of Klang, District of Klang, Selangor by MEB Group to FFB Group, measuring 5.0 acres	240

Other Information (continued)

Transacting Parties	Related Party	Nature of Transactions	Actual Transactions Value for the Financial Year Ended 31 December 2009 RM'000
MEB Group and FFB Group	Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui	# Rental of open yard located at PN 11185, Lot 104505, Telok Gong, District of Klang, Selangor by MEB Group to FFB Group, measuring 32,753.44 sq. ft.	-
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama by MEB Group to FFB Group, measuring 4,500 sq. ft.	96
MEB Group and MPE	Gan Kim Sin	Sale of raw materials by MEB Group to MPE *	3,514
		Interest receivable by MEB Group from MPE **	2,745
		Rental of storage yard by MEB Group to MPE	36
		# Rental of office space under Lot 586, 2nd Mile, Jalan Batu Tiga Lama, measuring approximately 3,300 sq. ft. by MEB Group to MPE	72
		Subcontracting work awarded by MEB Group to MPE	9,376
MEB Group and MMED	Rolf Buhr	Provision of marine services and trading of marine parts and components by MMED to MEB Group	39,314
MEB Group and MOSL	Rolf Buhr	Rental of barge by MOSL to MEB Group	6,473
MEB Group and FFB Group	Tuan Haji Mohamed Taib bin Ibrahim, Mac Ngan Boon @ Mac Yin Boon and Mac Chung Hui	# Rental of land held under HS(D) 99546 Lot No. 104625 Mukim & District of Klang, State of Selangor measuring in area approximately 140,000 square metres by MEB Group to FFB Group	600

* *MEB Group acts as sub-contractor for procurement of raw materials on behalf of MPE.*
** *This represents interest receivable on trade debtors balances based on sales to MPE.*
\# *Tenancies are for terms not exceeding 3 years with rentals payable on monthly basis.*

Abbreviations

"FFB"	:	Favelle Favco Berhad
"FFB Group"	:	FFB, its subsidiaries and associated companies
"FO"	:	Favco Offshores Sdn Bhd, an associated company of FFB
"MEB"	:	Muhibbah Engineering (M) Bhd
"MEB Group"	:	MEB, its subsidiaries and associated companies
"MMED"	:	Muhibbah Marine Engineering (Deutschland) GmbH
"MOSL"	:	Muhibbah Offshore Services Ltd
"MPE"	:	Muhibbah Petrochemical Engineering Sdn Bhd, a 90%-owned subsidiary of MEB

Statement on Corporate Governance

Introduction

The Board of Directors ("the Board") is committed towards ensuring that good Corporate Governance are observed throughout the Group. Upholding integrity and professionalism in its management of the affairs of the Group, the Board aims to enhance business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value and safeguarding interests of other stakeholders.

Board of Directors

Composition and Balance

An experienced Board consisting of members with wide range of business, technical, financial and public service backgrounds, lead and control the Group. This brings insightful depth and diversity to the acute leadership and management of an eminent and evolutionary engineering business.

The Board is well balanced with Executive and Non-Executive Directors. Currently, the Board consists of nine (9) members, comprising five (5) Independent Non-Executive Directors, three (3) Executive Directors and one (1) Non-Independent and Non-Executive Director. As such, more than one third (1/3) of the Board comprises of Independent Non-Executive Directors.

The Board believes that the current composition is appropriate given the nature of business and scale of operations of the Group. Profiles of the Directors are presented on pages 18 to 21 of this Annual Report.

The Executive Directors are generally responsible for making and implementing operational decisions whilst the Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision-making with their knowledge of and experience in other business sectors.

The roles of the Chairman and Managing Director are separated with a clear division of responsibilities between them to ensure balance of power and authority. The Chairman leads the strategic planning at the Board level, while the Managing Director is responsible for the implementation of the policies laid down and executive decision-making. The current Chairman has never held the post of Managing Director of the Company.

The Independent Non-Executive Directors are of the calibre necessary to provide independent judgment on the issues of strategy, performance and resource allocation. They carry sufficient weight in Board decisions to ensure long-term interest of the shareholders, employees, customers and other stakeholders.

The Board has identified Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor as the Senior Independent Non-Executive Director to whom concerns of the Group may be conveyed.

Board Meetings

Board meetings are held at regular intervals with additional meetings taking place when necessary. During the year, the Board met four (4) times to review the Group's operations, review and approve the quarterly and annual financial statements and other matters requiring the Board's approval. The Company Secretary records all the deliberations, particularly the issues discussed, in reaching that decision in the minutes of Board meetings. Details of the attendance of the Directors are as follows:

Statement on Corporate Governance (continued)

Names of Directors	Attendance at Meetings in 2009
Tuan Haji Mohamed Taib bin Ibrahim	4/4
Datuk Zakaria bin Abdul Hamid	4/4
Mac Ngan Boon @ Mac Yin Boon	4/4
Ooi Sen Eng	4/4
Low Ping Lin	3/4
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	4/4
Lim Teik Hin	4/4
Abd Hamid bin Ibrahim	3/4
Mac Chung Jin *(Alternate Director to Ooi Sen Eng)*	4/4

Supply of Information

Due notice is given to the Directors prior to each Board meeting. Each Director is provided with the agenda and a full set of Board papers providing details on operational, financial, safety and corporate developments prior to each Board meeting with the aim of enabling the Directors to make well-informed decisions at the Board meetings. It is the primary responsibility of the Chairman of the Board to organise such information necessary for the Board to deal with the agenda and the Board adopts a formal schedule of matters specifically referred to it for decision.

The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretary is available at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures and all applicable rules and regulations are complied with. The Articles of Association of the Company permits the removal of Company Secretary by the Board of Directors as a whole.

In addition, the Directors have authority to access all information within the Company in furtherance of their duties and they are also empowered to seek external independent professional advice at the Company's expense, to enable them to make well-informed decisions.

Board Committees

The following committees have been established to assist the Board to discharge its duties and responsibilities. The Board has delegated certain powers and duties to these committees, which operate within the defined terms of reference. The final decision on all matters, however, lies with the entire Board.

(i) Audit Committee

The principal objective of the Audit Committee is to assist the Board in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of the Group. This includes reviewing the quarterly financial results and year end financial statements to be disclosed, the scope of works and management letter of the external and internal auditors.

The Audit Committee members consist of all Non-Executive Directors, with a majority being Independent Directors. Tuan Haji Mohamed Taib bin Ibrahim, an Independent Non-Executive Director, is the Chairman of the Audit Committee.

The Audit Committee met four (4) times during the year.

A report detailing the membership, attendance, role and activities of the Audit Committee is presented on pages 31 to 35 of this Annual Report.

Statement on Corporate Governance (continued)

(ii) Nomination Committee

The present members of the Nomination Committee are as follows:

Names of Committee Members	Designation
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Senior Independent Non-Executive Director)*
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	Member *(Independent Non-Executive Director)*

The Nomination Committee met once during the financial year. In accordance with its terms of reference, the Nomination Committee reviewed the Board structure on the designation, roles and responsibilities of the individual Directors of the Company to ensure that the Board has the required mix of skills, experience and other core competencies. All assessments and evaluations carried out by the Nomination Committee are properly documented. The Nomination Committee also reviewed the existing balance, size and composition of the Board of Directors, and recommended appointments of new Directors to the Board. The Nomination Committee recommended to the Board on the Directors who were due for retirement by rotation at the forthcoming Annual General Meeting.

(iii) Remuneration Committee

The present members of the Remuneration Committee are as follows:

Names of Committee Members	Designation
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*
Mac Ngan Boon @ Mac Yin Boon	Member *(Managing Director)*
Ooi Sen Eng	Member *(Executive Director)*
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Senior Independent Non-Executive Director)*
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar	Member *(Independent Non-Executive Director)*

The Remuneration Committee met once during the financial year. In accordance with its terms of reference, the Remuneration Committee reviewed the remuneration packages and benefits of the Executive Directors to ensure the Company is able to attract high calibre executives to run the Company successfully. Directors do not participate in decisions on their own remuneration. At the same time, the Non-Executive Directors' fees were also reviewed and recommended for Board's approval. The individual Non-Executive Directors concerned had abstained from discussion of their own remuneration packages.

Statement on Corporate Governance (continued)

Appointments and Re-election

In accordance with the Company's Articles of Association, one third of the Directors (including the Managing Director) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Directors appointed during the year will be subject to retirement and re-election by shareholders in the Annual General Meeting.

Directors who are over 70 years of age are required to submit themselves for re-appointment and re-election annually in accordance with Section 129 (2) and Section 129 (6) of the Companies Act, 1965.

Directors' Training

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursa Malaysia Securities Berhad within the stipulated timeframe under the Listing requirements.

Regular continuing training programmes, courses and seminars are organised for the Directors to help them keep abreast of latest developments in the industry and advances in Corporate Governance.

During the financial year, all Directors have participated in numerous seminars and training programmes on topics relevant to the enhancement of their roles and responsibilities as Directors of the Company. The seminars and training programmes attended include topics relating to corporate governance, risk management, leadership management, financial, taxation and construction.

It is the practice of the Group, whereby, following the appointment of new Directors to the Board, an induction program is arranged to facilitate their understanding of the nature of the business, current issues within the Company, the corporate strategy, the expectations of the Company concerning input from Directors, the general responsibilities of Directors, operations of the Group as well as the products and services offered by the Group. New Directors are also introduced to senior management personnel and taken on visits to the Group's businesses.

Directors' Remuneration

The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

	Executive Directors RM	Non Executive Directors RM	Total RM
Fees	144,000	288,000	432,000
Remuneration	2,199,120	137,240	2,336,360
	2,343,120	425,240	2,768,360

The number of Directors in each remuneration band for the financial year 2009 are as follows:

Range of Remuneration	Executive Directors	Non Executive Directors	Total
RM50,001 to RM100,000	-	5	5
RM100,001 to RM150,000	-	1	1
RM250,001 to RM300,000	1	-	1
RM650,001 to RM700,000	3	-	3
	4	6	10

Statement on Corporate Governance (continued)

Shareholders

Investors and Shareholders Relationship
The Board recognises the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy have been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and public generally.

The Group is involved in investor relations through investors briefing with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investors briefing.

Apart from the mandatory announcements of the Group's financial results and corporate developments to Bursa Malaysia Securities Berhad, the Group maintains a website (www.muhibbah.com) that allows all shareholders to gain access to information and business activities and recent developments of the Group and for feedback.

Annual General Meeting
The Annual General Meeting is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. The Chairman and Directors are in attendance to respond to shareholders' queries during the meeting.

Accountability and Audit

Financial Reporting and Statement of Directors' Responsibility
The Directors are responsible to ensure that the financial statements are drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

The Board is responsible for ensuring that the financial statements for each financial year give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results of operations, changes in equity and cash flows of the Group and the Company for the financial year.

In preparation of the financial statements, the Board has ensured that:

i) Suitable accounting policies have been adopted and applied consistently;

ii) Judgements and statements made are reasonable and prudent; and

iii) Financial statements have been prepared on a going concern basis.

The Audit Committee assists the Board by overseeing that financial reporting reflects the substance of the business and transactions apart from being compliant with relevant standards and legislation.

The Board is responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure the financial statements comply with the Companies Act, 1965 and Financial Reporting Standards in Malaysia.

Statement on Corporate Governance (continued)

Relationship with the Auditors

Through the Audit Committee of the Board, the Group has established a transparent and appropriate relationship with the Group's auditors, both internal and external. Both the internal and external auditors are invited to attend the Audit Committee meetings to facilitate the exchange of views in issues requiring attention. The external auditors are also invited to attend meetings on special matters when necessary. In addition, the Audit Committee also meets the external auditors, without the presence of executive board members and management, at least twice a year.

Risk Management Framework and Internal Control

The Board acknowledges their responsibility for the Group's system of internal controls and reviewing its effectiveness regularly via the Internal Audit Department which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group.

A Statement on Internal Control outlining the internal controls within the Group is presented on page 36 of this Annual Report.

Recurring Related Party Transactions

The Board, through the Audit Committee, reviews all recurring related party transactions.

All recurring related party transactions entered into by the Group were made in the ordinary course of business and in accordance with the approved shareholders' mandate for recurring related party transactions.

Compliance Statement

The Company has applied the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance to the extent as set out above.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 12 May 2010.

Audit Committee Report

Membership and Meetings

Details of the membership of the Audit Committee and attendance of meetings are as follows:

Names of Committee Members	Designation	Attendance at Meetings in 2009
Tuan Haji Mohamed Taib bin Ibrahim	Chairman *(Independent Non-Executive Director)*	4/4
Datuk Zakaria bin Abdul Hamid	Member *(Independent Non-Executive Director)*	4/4
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor	Member *(Senior Independent Non-Executive Director)*	4/4
Lim Teik Hin	Member *(Non-Independent and Non-Executive Director)*	4/4

The Audit Committee comprises of all Non-Executive Directors, with a majority being Independent Directors. Mr. Lim Teik Hin is a member of the Malaysian Institute of Accountants and CPA Australia.

The Audit Committee held four (4) meetings during the financial year ended 31 December 2009. The Group's Chief Financial Officer and the Group's Internal Audit Manager attended all meetings. Other Board members and senior management attended some of the meetings upon invitation by the Chairman of the Audit Committee. The Group's external auditors attended two (2) meetings during the year.

The Chairman of the Audit Committee undertakes a continuing process of engagement with the Senior Executives of the Company as well as the external auditors so that the Audit Committee is kept up-to-date with all important issues affecting the Company.

During the year, the Audit Committee members have attended conferences, seminars and training programmes which are relevant to their roles and responsibilities.

Summary of Activities

During the year, the Audit Committee carried out its duties as set out in the terms of reference. These include:

(i) Reviewing the quarterly results and year end financial statements before submission to the Board of Directors for consideration and approval for announcement to Bursa Malaysia Securities Berhad.

(ii) Reviewing with external auditors, the result of the annual audit and the audit report including the Management response to the findings of the external auditors.

(iii) Reviewing the adequacy and relevance of the scope of work and functions of the external auditors and making recommendations to the Board on the appointment of the external auditor and the determination of the audit fees.

(iv) Reviewing with the Internal Audit Department the adequacy and relevance of the scope, function and risk based on audit plan and results of the internal audit processes.

Audit Committee Report (continued)

Summary of Activities (continued)

(v) Reviewing and discussing the internal audit status report and considering whether or not appropriate action had been taken on the recommendations of the internal audit function.

(vi) Verifying the allocation of the Employees' Share Option Scheme ("ESOS") to ensure that it is in accordance with criteria set out in the ESOS Bye-Laws of the Company.

Internal Audit Function

The Group has a well-established Internal Audit Department, which reports directly to the Audit Committee and assists the Board in monitoring and managing risks and internal control. The department carries out its duties impartially and independently of the activities reviewed. It has the principal responsibility of carrying out audits on the operations within the Group and provides general assurances to the management and Audit Committee. The internal audit reports highlighting any deficiencies or findings are discussed with management and the relevant action plans are agreed upon and implemented. Significant findings are presented in the Audit Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented. The total cost incurred for the internal audit function in respect of the financial year amounted to approximately RM224,000.

In addition, the Internal Audit Department also provides the necessary assistance and manpower for any special assignments or investigations requested by the management from time to time, with the approval of the Audit Committee.

The Group has implemented a structured risk assessment and management framework on the operations. The implementation of this framework and monitoring process also forms the basis for continually improving the risk management process in the context of the Group's overall objectives. The Internal Audit Department is continuously facilitating the exercise for all the business units within the Group and advising the Risk Management Committee on the internal controls to better manage the risks identified.

Other main activities performed by the Internal Audit Department are as follows:
- Site visits, inspections and reviews;
- Assess and advise on the Group's Corporate Governance practices and compliances.

Terms of Reference

Objectives
The principal objective of the Audit Committee is to assist the Board of Directors in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of Muhibbah Engineering (M) Bhd and its subsidiaries.

In addition, the Audit Committee shall:
- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information provided by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the adequacy of the Company's internal control system.

Audit Committee Report (continued)

Membership

The Board shall appoint the Audit Committee comprising at least three (3) directors, all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman of the Committee, who is an Independent Director, shall be appointed by the members of the Audit Committee. No alternate Director can be a member of the Audit Committee.

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or have similar qualifications as prescribed in Part I or Part II of the First Schedule of the Accountants Act 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced to two (2), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to fill the vacancy.

Attendance at meetings

The Audit Committee shall hold at least two (2) regular meetings per year and such additional meeting as the Chairman shall decide in order to fulfil its duties.

The quorum for each meeting shall be two (2) members where a majority of the members present must be Independent Directors.

The Company Secretary shall act as Secretary of the Audit Committee.

The Audit Committee may invite any person to be in attendance at any particular Audit Committee meeting to assist it in its deliberations.

Authority

The Audit Committee is authorised by the Board:

- to investigate any matter within its terms of reference;
- to have the resources which are required to perform its duties;
- to have full and unrestricted access to any information pertaining to the Company;
- to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- to be able to obtain independent professional or other advice;
- to be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, wherever deemed necessary.

Duties

The duties and scope of work of the Audit Committee shall be:

1. To review the following and report the same to the Board of Directors:
    - with the external auditors, the audit plan, their evaluation of the system of internal controls and the audit reports on the financial statements.
    - the assistance given by the employees to the external auditors.
    - the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

Audit Committee Report (continued)

Duties (continued)

- the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- the quarterly results and year end financial statements before submission to the Board of Directors for approval, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements.
- any related party transactions and conflict of interest situations that may arise within the Group or Company including any transaction, procedure or course of conduct that raises questions of management integrity.
- the appointment of the external auditors and audit fees, and any questions of resignation or dismissal.

2. To recommend the nomination of a person or persons as External Auditors.
3. To ensure that the Audit Committee Report is prepared at the end of each financial year for inclusion in the Annual Report of the Company. The Audit Committee Report shall comprise:
    - the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise).
    - the terms of reference of the Audit Committee.
    - the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member.
    - a summary of the activities of the Audit Committee in the discharge of functions and duties for that financial year of the Company.
    - a summary of the activities of the internal audit function or activity.
4. To verify, on a yearly basis, the allocation of options under a share option scheme for employees to ensure compliance with the allocation criteria determined by the Company's share option committee and in accordance with the bye-laws of the relevant option scheme.
5. To promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board of Directors which have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.

Proceedings of the Audit Committee

Calling of meetings

The members may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, provided that they shall have a minimum of two (2) meetings in a financial year. The Secretary shall on the requisition of a member summon a meeting of the Audit Committee.

Audit Committee Report (continued)

Notice of meeting
Notice of a meeting of the Audit Committee shall be given to all the members in writing via facsimile, hand delivery or by courier service. Unless otherwise determined by the Audit Committee from time to time, seven (7) days' notice shall be given, except in the case of an emergency where shorter notice may be given.

Voting and proceeding of meeting
The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

Keeping of minutes
The members shall cause minutes to be made of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Custody, production and inspection of minutes
The minutes of meetings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be open to the inspection of any member of the Committee or any member of the Board of Directors.

Review of Audit Committee
The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Statement on Internal Control

The Board acknowledges its responsibility for maintaining a system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. The system of internal control covers not only financial controls but operational and compliance controls and risk management.

The key processes of the Group's internal control system include the following:

- Documented delegation of authority limits have been established for all aspects of the businesses. These delegations of responsibilities and authority limits are subject to review when deemed necessary;

- Policies, objectives, quality procedures and environmental procedures for key business processes are formalised and documented in quality and environmental manuals. The Corporate Environment & Quality Assurance Department conducts half yearly Internal Quality Audits and Internal Environmental Audits and checked that operational processes are in accordance with the ISO 9001 : 2000 Quality Management System and ISO 14001 : 2004 Environmental Management System respectively;

- The Internal Audit Department provides the Audit Committee with reviews of processes, risk exposures (through Enterprise Risk Management) and system of internal controls of the Group. The Internal Audit Department carried out audits based on audit plans approved by the Audit Committee;

- Subsequent follow-up reviews on recommendations and outstanding issues are conducted by the Internal Audit Department and reported to the Audit Committee to ensure that recommendations have been implemented and issues resolved accordingly;

- The preparation and submission of monthly management accounts and other information (i.e., financial performance) to management for review, monitoring and reporting purposes;

- The issuance of a Risk Management Policies and Procedures Manual which outlines the risk management framework for the Group offers practical guidance to all employees on risk management guidelines and processes;

- Submission of risk management reports to the Risk Management Units for reporting to the Group Risk Management Committee; and

- A consolidated risk profile of the Group together with a summary of key risks and actions to mitigate these risks is discussed in the Risk Management Committee meetings before being submitted to the Board for consideration.

The Board is continuing its on-going process of identifying, assessing and managing key business, operational and financial risks faced by its business units. The Group is progressively developing risk management practice in significant subsidiaries.

The Board has overall responsibility for the Group's system of internal control, which aims to:

- safeguard shareholders' investments and the Group's assets;
- ensure that proper accounting records are maintained; and
- ensure that the financial information used within the business and for publication is reliable.

The internal control system is also designed to provide reasonable assurance of the effective operations of the Group. The internal control system also takes into consideration compliance with applicable laws and regulations. It is recognised, however that any system of internal control can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board through the Audit Committee has reviewed the effectiveness of the Group's system of internal control. The Board is of the view that there were no significant breakdown or weakness in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2009. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

Financial Statements

Directors' report for the year ended 31 December 2009

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal activities

The Company is principally engaged in investment holding, infrastructure, civil and structural engineering contract works. The main business segments of the Group are stated in Note 27 to the financial statements. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There have been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit attributable to:		
Shareholders of the Company	12,680	11,736
Minority interest	16,205	-
Profit for the year	28,885	11,736

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary dividend of 5% (2.50 sen) per ordinary share of RM0.50 each less tax at 25% totaling RM7,397,000 in respect of the year ended 31 December 2008.

The first and final dividend recommended by the Directors in respect of the year ended 31 December 2009 is 5% (2.50 sen) per ordinary share of RM0.50 each less tax at 25% totaling RM7,417,270 subject to approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Tuan Haji Mohamed Taib bin Ibrahim
Mac Ngan Boon @ Mac Yin Boon
Ooi Sen Eng
Low Ping Lin
Tan Sri Dato' Seri Ahmad Ramli bin Haji Mohd Nor
Datuk Zakaria bin Abdul Hamid
Dato' Seri Raja Ahmad Zainuddin bin Raja Haji Omar
Lim Teik Hin
Abd Hamid bin Ibrahim
Mac Chung Jin *(alternate to Ooi Sen Eng)*

Directors' report for the year ended 31 December 2009 (continued)

Directors' interest

The interests in the shares and employee shares options of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Interest in the Company:				
Tuan Haji Mohamed Taib bin Ibrahim	7,543,392	-	-	7,543,392
Mac Ngan Boon @ Mac Yin Boon	68,728,916	80,000	-	68,808,916
Ooi Sen Eng	13,045,066	-	-	13,045,066
Low Ping Lin	2,955,000	-	-	2,955,000
Mac Chung Jin	4,635,000	-	(40,000)	4,595,000
Datuk Zakaria bin Abdul Hamid	50,000	20,000	(60,000)	10,000

The options granted to eligible Directors over unissued ordinary shares of the Company pursuant to the Employees' Share Option Scheme are set out below:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Mac Ngan Boon @ Mac Yin Boon	1,832,500	-	-	1,832,500
Ooi Sen Eng	900,000	-	-	900,000
Low Ping Lin	832,500	-	-	832,500
Mac Chung Jin *(alternate to Ooi Sen Eng)*	665,000	-	-	665,000

By virtue of their interest in shares of the Company, the abovementioned Directors are also deemed to have interests in the shares of all subsidiaries during the financial year to the extent that Muhibbah Engineering (M) Bhd. has an interest.

Other than the abovementioned Directors, none of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements of the Company or the fixed salary of a full time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate apart from certain Directors' entitlement to subscribe for new ordinary shares of the Company under the Employees' Share Option Scheme.

Directors' report for the year ended 31 December 2009 (continued)

Issue of shares and debentures

The movement of share capital is disclosed in Note 15 to the financial statements.

The Company has not issued any debentures during the financial year.

Treasury shares

The movement of treasury shares is disclosed in Note 16 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the Employees' Share Option Scheme.

At an extraordinary general meeting held on 26 June 2006, the Company's shareholders approved the establishment of an employees' share option scheme (ESOS). The main features of the ESOS, details of share options offered and exercised during the financial year are disclosed in Note 25.

The Company has been granted exemption pursuant to Section 169(11) of the Companies Act, 1965 by the Companies Commission of Malaysia from having to disclose the names of options holders, other than Directors, who have been granted options representing 1,000,000 ordinary shares of RM0.50 each and below under the ESOS Scheme. The option holder who has been granted options representing more than 1,000,000 ordinary shares of RM0.50 each is as follow:-

	Number of options over ordinary shares of RM0.50 each			
	Balance at 1.1.2009	**Granted**	**Exercised**	**Balance at 31.12.2009**
Lee Poh Kwee	2,000,000	-	-	2,000,000
Chong Lai Keong	500,000	-	(500,000)	-
Tan Bin Tat	500,000	-	-	500,000
Tan Chin Guan	500,000	-	-	500,000

Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

Directors' report for the year ended 31 December 2009 (continued)

Other statutory information (continued)

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………… …………………………………………

Mac Ngan Boon @ Mac Yin Boon **Low Ping Lin**

Klang,

Date: 30 April 2010

Balance sheets at 31 December 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Assets					
Property, plant and equipment	3	**513,204**	495,995	**131,969**	123,579
Prepaid lease payments	4	**31,812**	32,189	**8,679**	8,772
Investment properties	5	**551**	568	**20,382**	28,947
Investments in subsidiaries	6	**-**	-	**193,010**	177,693
Investments in associates	7	**124,967**	124,209	**8,424**	8,424
Goodwill on consolidation	9	**21,600**	22,171	**-**	-
Receivables, deposits and prepayments	8	**-**	-	**10,000**	10,000
Deferred tax assets	10	**1,593**	33	**-**	-
Other non-current assets	11	**24,825**	27,468	**9**	9
Total non-current assets		**718,552**	702,633	**372,473**	357,424
Receivables, deposits and prepayments	8	**1,018,062**	721,013	**869,033**	680,742
Amount due from contract customers	12	**354,866**	738,207	**217,069**	481,088
Inventories	13	**200,166**	215,617	**-**	-
Current tax assets		**1,168**	15,738	**2,831**	5,041
Cash and cash equivalents	14	**249,309**	216,730	**27,761**	103,876
Total current assets		**1,823,571**	1,907,305	**1,116,694**	1,270,747
Total assets		**2,542,123**	2,609,938	**1,489,167**	1,628,171

The notes on pages 52 to 114 are an integral part of these financial statements

Balance sheets at 31 December 2009 (continued)

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Equity					
Share capital	15	**198,685**	196,469	**198,685**	196,469
Reserves	16	**251,503**	244,949	**143,281**	138,012
Total equity attributable to shareholders of the Company		**450,188**	441,418	**341,966**	334,481
Minority interest		**101,504**	87,629	**-**	-
Total equity		**551,692**	529,047	**341,966**	334,481
Liabilities					
Payables and accruals	18	**16,905**	17,449	**-**	-
Loans and borrowings	17	**170,015**	116,625	**57,706**	73,838
Deferred tax liabilities	10	**21,716**	7,658	**7,400**	-
Total non-current liabilities		**208,636**	141,732	**65,106**	73,838
Provisions, payables and accruals	18	**858,307**	735,738	**675,538**	520,576
Amount due to contract customers	12	**351,635**	372,912	**22,840**	98,922
Bills payable	19	**466,356**	679,212	**349,802**	499,975
Loans and borrowings	17	**86,050**	135,882	**27,096**	90,435
Current tax liabilities		**19,447**	15,415	**6,819**	9,944
Total current liabilities		**1,781,795**	1,939,159	**1,082,095**	1,219,852
Total liabilities		**1,990,431**	2,080,891	**1,147,201**	1,293,690
Total equity and liabilities		**2,542,123**	2,609,938	**1,489,167**	1,628,171

The notes on pages 52 to 114 are an integral part of these financial statements

Income statements for the year ended 31 December 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	20	**2,252,049**	2,033,535	**1,254,710**	1,154,532
Cost of sales		**(2,109,614)**	(1,899,429)	**(1,199,392)**	(1,101,509)
Gross profit		**142,435**	134,106	**55,318**	53,023
Other income		**12,392**	5,537	**30,625**	68,841
Distribution costs		**(15,722)**	(21,403)	**(1,569)**	(1,050)
Administrative expenses		**(75,667)**	(76,390)	**(9,720)**	(22,590)
Other expenses		**(11,974)**	(16,842)	**(47,000)**	(35,695)
Results from operating activities		**51,464**	25,008	**27,654**	62,529
Interest income		**2,966**	3,129	**5,196**	4,419
Finance costs		**(9,037)**	(9,898)	**-**	-
Operating profit	21	**45,393**	18,239	**32,850**	66,948
Share of profit after tax and minority interest of equity accounted associates		**22,789**	26,691	**-**	-
Profit before tax		**68,182**	44,930	**32,850**	66,948
Tax expense	23	**(39,297)**	(10,059)	**(21,114)**	(14,352)
Profit for the year		**28,885**	34,871	**11,736**	52,596
Attributable to:					
Shareholders of the Company		**12,680**	21,800	**11,736**	52,596
Minority interest		**16,205**	13,071	**-**	-
Profit for the year		**28,885**	34,871	**11,736**	52,596
Earnings per ordinary share (sen)					
- Basic	24	**3.21**	5.64		
- Diluted	24	**3.17**	5.44		

The notes on pages 52 to 114 are an integral part of these financial statements

Consolidated statement of changes in equity for the year ended 31 December 2009

		Attributable to shareholders of the Company										
		Non-distributable						Distributable				
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2008		191,783	(4,669)	308	1,007	1,612	4,747	7,976	190,859	393,623	74,692	468,315
Foreign exchange translation differences		-	-	-	-	-	-	3,759	-	3,759	(1,773)	1,986
Revaluation of property, plant and equipment		-	-	-	29,365	-	-	-	-	29,365	6,449	35,814
Net gains recognised directly in equity		-	-	-	29,365	-	-	3,759	-	33,124	4,676	37,800
Profit for the year		-	-	-	-	-	-	-	21,800	21,800	13,071	34,871
Total recognised income for the year		-	-	-	29,365	-	-	3,759	21,800	54,924	17,747	72,671
Shares repurchased	16	-	(892)	-	-	-	-	-	-	(892)	-	(892)
Share-based payments	25	-	-	-	-	-	2,233	-	-	2,233	242	2,475
Share options exercised	15	4,686	-	92	-	-	-	-	-	4,778	371	5,149
Transfer to share premium for share options exercised		-	-	1,740	-	-	(1,740)	-	-	-	-	-
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	-	111	111
Realisation of revaluation reserve on disposal of property, plant and equipment		-	-	-	(243)	-	-	-	-	(243)	-	(243)
Dividends to shareholders		-	-	-	-	-	-	-	(13,005)	(13,005)	-	(13,005)
Dividends to minority interest		-	-	-	-	-	-	-	-	-	(5,534)	(5,534)
At 31 December 2008/1 January 2009		196,469	(5,561)	2,140	30,129	1,612	5,240	11,735	199,654	441,418	87,629	529,047

The notes on pages 52 to 114 are an integral part of these financial statements

Consolidated statement of changes in equity for the year ended 31 December 2009 (continued)

		Attributable to shareholders of the Company										
		Non-distributable							Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2009		196,469	(5,561)	2,140	30,129	1,612	5,240	11,735	199,654	441,418	87,629	529,047
Foreign exchange translation differences		-	-	-	-	-	-	2,670	-	2,670	3,228	5,898
Revaluation of property, plant and equipment		-	-	-	(2,149)	-	-	-	-	(2,149)	(1,631)	(3,780)
Net (losses)/gains recognised directly in equity		-	-	-	(2,149)	-	-	2,670	-	521	1,597	2,118
Profit for the year		-	-	-	-	-	-	-	12,680	12,680	16,205	28,885
Total recognised (expenses)/income for the year		-	-	-	(2,149)	-	-	2,670	12,680	13,201	17,802	31,003
Share-based payments	25	-	-	-	-	-	706	-	-	706	139	845
Share options exercised	15	2,216	-	44	-	-	-	-	-	2,260	-	2,260
Transfer to share premium for share options exercised		-	-	990	-	-	(990)	-	-	-	-	-
Dilution of interest in subsidiary		-	-	-	-	-	-	-	-	-	1,021	1,021
Dividends to shareholders		-	-	-	-	-	-	-	(7,397)	(7,397)	-	(7,397)
Dividends to minority interest		-	-	-	-	-	-	-	-	-	(4,676)	(4,676)
Acquisition of minority interest		-	-	-	-	-	-	-	-	-	(411)	(411)
At 31 December 2009		198,685	(5,561)	3,174	27,980	1,612	4,956	14,405	204,937	450,188	101,504	551,692

The notes on pages 52 to 114 are an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2009

Company	Note	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
		Non-distributable						Distributable	
At 1 January 2008		191,783	(4,669)	10	764	3,835	61	95,974	287,758
Foreign exchange translation differences recognised directly in equity		-	-	-	-	-	1,343	-	1,343
Profit for the year		-	-	-	-	-	-	52,596	52,596
Total recognised income for the year		-	-	-	-	-	1,343	52,596	53,939
Share-based payments	25	-	-	-	-	1,903	-	-	1,903
Transfer to share premium for share options exercised		-	-	2,038	-	(2,038)	-	-	-
Share options exercised	15	4,686	-	92	-	-	-	-	4,778
Shares repurchased	16	-	(892)	-	-	-	-	-	(892)
Dividends to shareholders		-	-	-	-	-	-	(13,005)	(13,005)
At 31 December 2008/1 January 2009		196,469	(5,561)	2,140	764	3,700	1,404	135,565	334,481

The notes on pages 52 to 114 are an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2009 (continued)

		Non-distributable						Distributable	
Company	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Share premium RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**Translation reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2009		196,469	(5,561)	2,140	764	3,700	1,404	135,565	334,481
Foreign exchange translation differences recognised directly in equity		-	-	-	-	-	362	-	362
Profit for the year		-	-	-	-	-	-	11,736	11,736
Total recognised income for the year		-	-	-	-	-	362	11,736	12,098
Share-based payments	25	-	-	-	-	524	-	-	524
Share options exercised	15	2,216	-	44	-	-	-	-	2,260
Transfer to share premium for share options exercised		-	-	847	-	(847)	-	-	-
Dividends to shareholders	26	-	-	-	-	-	-	(7,397)	(7,397)
At 31 December 2009		198,685	(5,561)	3,031	764	3,377	1,766	139,904	341,966
								Note 16	

The notes on pages 52 to 114 are an integral part of these financial statements

Cash flow statements for the year ended 31 December 2009

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities				
Profit before tax	**68,182**	44,930	**32,850**	66,948
Adjustments for:				
Amortisation of development costs	**3,084**	2,079	**-**	-
Amortisation of intellectual property	**-**	281	**-**	-
Amortisation of prepaid lease payments	**377**	648	**93**	112
Depreciation of investment properties	**17**	173	**186**	372
Depreciation of property, plant and equipment	**24,668**	30,181	**804**	2,186
Development costs written off`	**210**	-	**-**	-
Dividend income	**-**	-	**(91,814)**	(108,929)
Finance costs	**9,037**	9,898	**-**	-
Gain on disposal of property, plant and equipment	**(1,061)**	(1,070)	**(322)**	(27,392)
Gain on disposal of investment properties	**-**	-	**(6,121)**	-
Gain on disposal of prepaid lease payments	**-**	-	**-**	(33,251)
Impairment loss of goodwill on consolidation	**571**	-	**-**	-
Impairment loss on investments in subsidiaries	**-**	-	**30,156**	12,467
Impairment loss on investment property	**-**	-	**-**	4,524
Impairment loss/(Reversal of impairment) on other investment	**22**	(5)	**-**	(5)
Interest income	**(2,966)**	(3,129)	**(5,196)**	(4,419)
Loss on dilution of interest in subsidiary	**294**	-	**-**	-
Other non-cash expenditures	**-**	83	**-**	-
Property, plant and equipment written off	**478**	-	**-**	-
Share based payments	**845**	1,713	**524**	1,903
Share of profit of associates	**(22,789)**	(26,691)	**-**	-
Operating profit/(loss) before changes in working capital	**80,969**	59,091	**(38,840)**	(85,484)

Cash flow statements for the year ended 31 December 2009

(continued)

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating profit/(loss) before changes in working capital (continued)		**80,969**	59,091	**(38,840)**	(85,484)
Receivables, deposits and prepayments		**(297,049)**	(296,411)	**(281,272)**	(342,322)
Inventories		**15,451**	(53,108)	**-**	-
Payables and accruals		**128,513**	187,398	**154,827**	282,438
Amount due to/(from) contract customers		**377,514**	30,200	**277,365**	(130,575)
Cash generated from/(used in) operations		**305,398**	(72,830)	**112,080**	(275,943)
Income taxes paid		**(11,395)**	(18,774)	**(10,860)**	(2,032)
Net cash generated from/(used in) operating activities		**294,003**	(91,604)	**101,220**	(277,975)
Cash flows from investing activities					
Acquisition of an associate		**-**	(4,381)	**-**	-
Additions to development expenditure		**-**	(12,922)	**-**	-
Additions to prepaid lease payments		**-**	(415)	**-**	(415)
Acquisition of subsidiaries		**-**	6,500	**(2,726)**	(48,437)
Disposal of equity interest in subsidiaries		**-**	-	**203**	-
Dividends received from:					
- subsidiaries		**-**	-	**77,441**	99,075
- associates		**20,556**	16,408	**10,966**	6,700
Increase in equity interest of subsidiaries		**(411)**	-	**(25,950)**	
Interest received		**2,966**	3,129	**5,196**	4,419
Proceeds from disposal of property, plant and equipment		**8,772**	5,620	**10,311**	93,140
Proceeds from disposal of leasehold land		**-**	-	**-**	44,700
Proceeds from disposal of investment properties		**-**	-	**14,500**	-
Proceeds from disposal of land held for development		**332**	942	**-**	-
Purchase of property, plant and equipment	(i)	**(66,441)**	(137,451)	**(32,528)**	(87,495)
Purchase of investment properties		**-**	(155)	**-**	(155)
Purchase of other non-current assets		**(239)**	(18)	**-**	-
Proceeds received from joint venture		**-**	1,257	**-**	1,257
Net cash (used in)/generated from investing activities		**(34,465)**	(121,486)	**57,413**	112,789

Cash flow statements for the year ended 31 December 2009

(continued)

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from financing activities					
Dividends paid to shareholders of the Company		**(7,397)**	(13,005)	**(7,397)**	(13,005)
Dividends paid to minority interests		**(4,676)**	(5,534)	**-**	-
Interest paid		**(9,037)**	(9,898)	**-**	-
Proceeds from exercise of shares options		**2,260**	4,778	**2,260**	4,778
Proceeds from issuance of shares to minority interest of a subsidiary		**727**	371	**-**	-
Net (repayment)/drawdown of loans and borrowings		**(203,290)**	298,236	**(228,401)**	281,067
Purchase of treasury shares		**-**	(892)	**-**	(892)
Net cash (used in)/generated from financing activities		**(221,413)**	274,056	**(233,538)**	271,948
Exchange differences on translation of the financial statements of foreign operations		**595**	(1,683)	**-**	1,341
Net increase/(decrease) in cash and cash equivalents		**38,720**	59,283	**(74,905)**	108,103
Cash and cash equivalents at beginning of year		**208,522**	149,239	**102,380**	(5,723)
Cash and cash equivalents at end of year	(ii)	**247,242**	208,522	**27,475**	102,380

Cash flow statements for the year ended 31 December 2009

(continued)

(i) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM66,574,000 (2008 - RM139,131,000) and RM32,528,000 (2008 - RM87,495,000) respectively, of which RM133,000 (2008 - RM1,680,000) of the Group and Nil (2008 - Nil) of the Company were acquired by means of hire purchases / liabilities.

(ii) Cash and cash equivalents

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

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	14	**196,860**	108,363	**27,004**	38,119
Deposits placed with licensed banks	14	**52,449**	108,367	**757**	65,757
Bank overdrafts	17	**(2,067)**	(8,208)	**(286)**	(1,496)
		247,242	208,522	**27,475**	102,380

The notes on pages 52 to 114 are an integral part of these financial statements.

Notes to the financial statements

Muhibbah Engineering (M) Bhd. is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is Lot 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia.

The consolidated financial statements as at and for the year ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and joint ventures. The financial statements of the Company as at and for the year ended 31 December 2009 do not include other entities.

The Company is principally engaged in investment holding, infrastructure, civil and structural engineering contract works. The main business segments of the Group are stated in Note 27 to the financial statements. The principal activities of its subsidiaries are as stated in Note 6.

The financial statements were approved by the Board of Directors on 30 April 2010.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009
- FRS 8, *Operating Segments*

FRSs, Interpretations and amendments 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*
  - *Puttable Financial Instruments and Obligations Arising on Liquidation*
  - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
  - *Reclassification of Financial Assets*
  - *Collective Assessment of Impairment for Banking Institutions*
- 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*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010
- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010
- FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- FRS 3, *Business Combinations (revised)*
- FRS 127, *Consolidated and Separate Financial Statements (revised)*
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- *Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010, and 1 January 2011 except for IC Interpretation 12, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impacts on the initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

(i) Amendments to FRS 138, *Intangible Assets*

The amendments clarify that other amortisation methods may be used for intangible assets with finite useful lives apart from the straight-line method. The Group currently amortised development costs and intellectual property on a straight-line basis.

(ii) FRS 8, *Operating Segments*

FRS 8 replaces FRS 114 2004, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 27).

(iii) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes which will become effective for the Group and the Company's financial statements for the year ending 31 December 2010. Amendment that has a material impact is:

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(iii) Improvements to FRSs (2009) (continued)

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 will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

This change in accounting policy will result in the reclassification of lease of land of the Group and of the Company amounting to RM31,812,000 and RM8,679,000 respectively as at 31 December 2009 from prepaid lease payments to property, plant and equipment.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information presented is in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in the following notes:

- Note 2 (s) *(i)* - recognition of revenue from construction contracts
- Note 5 - fair value of investment properties
- Note 9 - impairment test of goodwill
- Note 25 - share-based payments

Notes to the financial statements (continued)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting in which the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(ii) Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies.

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less any impairment losses.

(iii) Joint ventures - Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of the profit or loss of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Group's and Company's balance sheet at cost less impairment losses.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Minority interest

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal of operations, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(c) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivative financial instruments such as foreign exchange contracts are used as hedges to manage operational exposures to foreign exchange risks. The Group does not hold derivative instruments for trading purposes.

The difference between the forward exchange contracts and the prevailing exchange rates would be recognised in the income statements upon realisation of receipts or payments, or upon maturity, whichever is earlier.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group and the Company adopted the policy to revalue their freehold land every 5 years or at shorter intervals whenever the fair value of the freehold land is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete and reclassified as investment property.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iv) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

With effect from 1 January 2008, the usage method of depreciation was implemented for certain plant and equipment. This method was adopted to better reflect the consumption pattern of the expected economic benefits of the plant and equipment. Under the usage method, depreciation is determined based on the number of days the plant and equipment are used over the projected useful lives of the assets.

The estimated useful lives are as follows:

Drydock and slipway	45 years
Cranes	10 - 15 years
Plant and equipment	3 - 20 years
Motor vehicles	5 years

Buildings are depreciated on a straight-line basis over the shorter of 50 years or the lease period.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(e) Prepaid lease payments

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

(f) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both from external parties. These include land (other than leasehold land) held for a currently undetermined future use.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

(g) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

Goodwill with indefinite useful lives are tested for impairment annually and whever there is an indication that they may be impaired.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Research and development (continued)

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

Other development expenditure which does not meet the criteria is recognised in the income statement as an expense as incurred. Capitalised development expenditure which meets the criteria is stated at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Intellectual property

Intellectual property consists of rights to trade name, know how and industrial property rights and is stated at cost less accumulated amortisation and impairment losses.

(iv) Amortisation

Other than goodwill, other intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the income statements on a straight-line basis over the estimated useful lives of intangible assets of 5 to 10 years.

(h) Land held for development

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress, assembled cranes, manufactured inventories and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(j) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end.

(k) Amount due from/Amount due to contract customers

Amount due from contract customers represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Contract work-in-progress is presented as part of total current assets in the balance sheet. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown as amount due to contract customers as part of the total current liabilities in the balance sheet.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(m) Impairment of assets

The carrying amounts of assets except for deferred tax assets, inventories and assets arising from construction contracts and financial assets (other than investments in subsidiaries and associates) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying amount of the assets with their recoverable amounts. Recoverable amounts are the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised as an expense in the income statements immediately, unless the assets are carried at a revalued amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it is credited directly to revaluation surplus.

2. Significant accounting policies (continued)

(n) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity and is not re-valued for subsequent changes in the fair value or market price of shares. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(p) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(r) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(s) Revenue

(i) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statements in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(s) Revenue (continued)

(ii) Goods sold and services rendered

Revenue from sale of goods, trading of crane inventories and crane components and marine supplies is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from ship repair and other services rendered, which are of short term nature, is recognised in the income statement upon the completion of the repairs or services. Where the outcome of the transactions cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Rental income

Rental income from investment property is recognised in the income statement as it accrues over the term of the lease.

Revenue from rental of cranes and vessels is recognised in the income statement as it accrues.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(t) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to contract work performed to date.

(u) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(u) Tax expense (continued)

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction to tax expense in the income statement as when it is granted and claimed. Any unutilised portion of the tax incentive is reocgnised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilized tax incentive can be utilised.

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes share options granted to employees.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the financial statements (continued)

3. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/ Valuation							
At 1 January 2008	19,346	113,722	45,368	116,625	329,216	7,145	631,422
Additions	1,232	43,867	-	8,116	77,952	7,964	139,131
Acquisition of subsidiary	18,298	1,300	-	-	25,993	2,802	48,393
Disposals	-	-	-	(8,428)	(17,738)	-	(26,166)
Exchange differences	5	423	-	1,063	9,244	117	10,852
Change in fair value	35,814	-	-	-	-	-	35,814
Reclassification	-	345	-	-	12,127	(12,472)	-
At 31 December 2008/ 1 January 2009	74,695	159,657	45,368	117,376	436,794	5,556	839,446
Additions	102	21,008	-	26,366	15,340	3,758	66,574
Disposals	-	-	-	(9,281)	(25,394)	-	(34,675)
Write off	-	-	-	-	(1,412)	-	(1,412)
Exchange differences	(49)	96	-	310	654	(18)	993
Change in fair value	(662)	-	-	-	-	-	(662)
Reclassification	-	-	-	-	6,804	(6,804)	-
At 31 December 2009	74,086	180,761	45,368	134,771	432,786	2,492	870,264
Representing items at:							
Cost	102	180,761	45,368	134,771	432,786	2,492	796,280
Revaluation - 2008	73,984	-	-	-	-	-	73,984
	74,086	180,761	45,368	134,771	432,786	2,492	870,264
Accumulated depreciation and impairment losses							
At 1 January 2008	-	33,376	8,999	51,660	206,996	-	301,031
Depreciation for the year	-	2,716	1,019	4,789	33,123	-	41,647
Acquisition of subsidiary	-	842	-	-	20,136	-	20,978
Disposals	-	-	-	(5,103)	(16,513)	-	(21,616)
Exchange differences	-	323	-	681	407	-	1,411
Reclassification	-	5	-	-	(5)	-	-
Accumulated depreciation	-	35,768	10,018	51,491	242,704	-	339,981
Accumulated impairment losses	-	1,494	-	536	1,440	-	3,470
At 31 December 2008 / 1 January 2009	-	37,262	10,018	52,027	244,144	-	343,451
Depreciation for the year	-	2,849	1,018	4,771	31,480	-	40,118
Disposals	-	-	-	(4,271)	(22,693)	-	(26,964)
Write off	-	-	-	-	(934)	-	(934)
Exchange differences	-	84	-	235	1,070	-	1,389
Accumulated depreciation	-	38,701	11,036	52,226	251,627	-	353,590
Accumulated impairment losses	-	1,494	-	536	1,440	-	3,470
At 31 December 2009	-	40,195	11,036	52,762	253,067	-	357,060

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

Group (continued)	Freehold land RM'000	Buildings RM'000	Drydock and slipway RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts							
At 1 January 2008	19,346	80,346	36,369	64,965	122,220	7,145	330,391
At 31 December 2008/ 1 January 2009	74,695	122,395	35,350	65,349	192,650	5,556	495,995
At 31 December 2009	74,086	140,566	34,332	82,009	179,719	2,492	513,204

Company Cost	Freehold land RM'000	Buildings RM'000	Cranes RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2008	2,636	9,824	70,349	157,500	7,145	247,454
Additions	-	-	12,214	69,032	6,249	87,495
Disposals	(2,585)	(9,539)	(45,317)	(78,807)	-	(136,248)
Reclassification	-	-	-	9,320	(9,320)	-
At 31 December 2008/ 1 January 2009	51	285	37,246	157,045	4,074	198,701
Additions	-	-	4,430	25,368	2,730	32,528
Disposals	-	-	(6,703)	(22,600)	-	(29,303)
Reclassification	-	-	-	6,804	(6,804)	-
At 31 December 2009	51	285	34,973	166,617	-	201,926
Accumulated depreciation						
At 1 January 2008	-	2,022	22,051	108,031	-	132,104
Depreciation for the year	-	6	2,421	11,091	-	13,518
Disposals	-	(1,925)	(16,153)	(52,422)	-	(70,500)
At 31 December 2008/ 1 January 2009	-	103	8,319	66,700	-	75,122
Depreciation for the year	-	6	1,663	12,480	-	14,149
Disposals	-	-	(1,583)	(17,731)	-	(19,314)
At 31 December 2009	-	109	8,399	61,449	-	69,957
Carrying amounts						
At 1 January 2008	2,636	7,802	48,298	49,469	7,145	115,350
At 31 December 2008/ 1 January 2009	51	182	28,927	90,345	4,074	123,579
At 31 December 2009	51	176	26,574	105,168	-	131,969

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

Depreciation charge for the year is allocated as follows:

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income statement	21	**24,668**	30,181	**804**	2,186
Contract costs	12	**15,450**	11,466	**13,345**	11,332
		40,118	41,647	**14,149**	13,518

Security

The freehold land, buildings, certain items of plant and equipment of the Group with total carrying amount of RM175,997,000 (2008 - RM89,019,000) have been pledged to certain licensed banks as security for term loan facilities granted to the Group and Company (Note 17).

Assets under hire purchase

Included in property, plant and equipment of the Group are plant, equipment and motor vehicles acquired under hire purchase arrangements with a carrying amount of RM1,577,000 (2008 - RM2,993,000).

Property, plant and equipment under the revaluation model

The Group's freehold land were revalued by independent professional qualified valuers using an open market value method during the financial year ended 31 December 2008. The cost of a piece of the Group's freehold land was written down by RM662,000 during the year ended 31 December 2009 as management was of the view that the fair value had differed materially from the carrying value.

Had the freehold land been carried under the cost model, their carrying amounts would have been RM19,346,000 (2008 - RM19,346,000).

Notes to the financial statements (continued)

4. Prepaid lease payments

Group	Note	Leasehold land Unexpired period less than 50 years RM'000	Leasehold land Unexpired period more than 50 years RM'000	Total RM'000
Cost				
At 1 January 2008		1,513	32,667	34,180
Additions		-	415	415
Extension of leasehold period to more than 50 years		(1,100)	1,100	-
At 31 December 2008/1 January 2009/ 31 December 2009		413	34,182	34,595
Accumulated amortisation				
At 1 January 2008		240	1,518	1,758
Amortisation for the year	21	11	637	648
Extension of leasehold period to more than 50 years		(113)	113	-
At 31 December 2008/1 January 2009		138	2,268	2,406
Amortisation for the year	21	33	344	377
At 31 December 2009		171	2,612	2,783
Carrying amounts				
At 1 January 2008		1,273	31,149	32,422
At 31 December 2008/1 January 2009		275	31,914	32,189
At 31 December 2009		242	31,570	31,812

Notes to the financial statements (continued)

4. Prepaid lease payments (continued)

Company	Note	Leasehold land Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost				
At 1 January 2008		1,100	20,098	21,198
Extension of leasehold period to more than 50 years		(1,100)	1,100	-
Additions		-	415	415
Disposals		-	(12,172)	(12,172)
At 31 December 2008/1 January 2009/ 31 December 2009		-	9,441	9,441
Accumulated amortisation				
At 1 January 2008		113	1,167	1,280
Extension of leasehold period to more than 50 years		(113)	113	-
Amortisation for the year	21	-	112	112
Disposals		-	(723)	(723)
At 31 December 2008/1 January 2009		-	669	669
Amortisation for the year	21	-	93	93
At 31 December 2009		-	762	762
Carrying amounts				
At 1 January 2008		987	18,931	19,918
At 31 December 2008/1 January 2009		-	8,772	8,772
At 31 December 2009		-	8,679	8,679

Extension of leasehold period

During the year ended 31 December 2008, a piece of leasehold land registered under the name of the Company, was extended from the remaining 33 years to 99 years.

Security

Certain long term leasehold land of the Group and of the Company with the total carrying amount of RM8,346,000 (2008 - RM8,366,000) and RM1,356,000 (2008 - RM8,366,000), respectively have been pledged to certain licensed banks as security for long term facilities granted to the Group and the Company (Note 17).

Notes to the financial statements (continued)

5. Investment properties

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Cost				
At 1 January	**1,212**	1,057	**37,446**	37,291
Additions	**-**	155	**-**	155
Disposal	**-**	-	**(10,677)**	-
At 31 December	**1,212**	1,212	**26,769**	37,446
Accumulated depreciation and impairment loss				
At 1 January	**644**	471	**8,499**	3,603
Depreciation for the year	**17**	173	**186**	372
Impairment loss	**-**	-	**-**	4,524
Disposal	**-**	-	**(2,298)**	-
At 31 December	**661**	644	**6,387**	8,499
Carrying amounts				
At 31 December	**551**	568	**20,382**	28,947
Included in the above are:				
Freehold land	**158**	158	**12,942**	14,281
Buildings	**393**	410	**7,440**	14,666
	551	568	**20,382**	28,947

Investment properties of the Group comprise a number of commercial properties that are leased to third parties. Certain investment properties of the Company were leased to companies within the Group for their respective own use and accordingly classified as property, plant and equipment in the consolidated balance sheets.

Market value

The market value of the investment properties presented on an aggregated basis, is as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Market value of investment properties				
- aggregated basis	**1,780**	1,425	**33,754**	49,568

Notes to the financial statements (continued)

5. Investment properties (continued)

Market value (continued)

The market value of the investment properties of the Group and of the Company was derived at by reference to market indication of transaction prices for similar properties within the same/adjacent location.

The Directors estimated the fair values of the Group's investment properties without involvement of independent valuers.

Impairment loss

Impairment loss of RM4,524,000 was recognised in financial year 2008 for an investment property of the Company, which derives rental income from a subsidiary, with a carrying amount of RM12,782,865.

6. Investments in subsidiaries

		Company	
		2009 RM'000	**2008 RM'000**
Ordinary shares			
Quoted shares - in Malaysia		**49,000**	49,000
Unquoted shares - at cost		**204,984**	159,511
Cumulative redeemable convertible preference shares, at cost	(a)	**1,800**	1,800
Non-cumulative non-convertible redeemable preference shares, at cost	(b)	**6,250**	6,250
		262,034	216,561
Less: Impairment losses		**(69,024)**	(38,868)
		193,010	177,693
Market value			
Quoted shares in Malaysia		**80,360**	72,520

(a) The cumulative redeemable convertible preference shares are held in a subsidiary and shall be redeemable at any time after 30 June 2009, at the discretion of the directors of the subsidiary.

(b) The non-cumulative non-convertible redeemable preference shares are redeemable before 31 December 2012.

Notes to the financial statements (continued)

6. Investments in subsidiaries (continued)

The principal activities of the active subsidiaries, their places of incorporation and the interest of Muhibbah Engineering (M) Bhd. are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2009 %	2008 %
Cranes segment				
Favelle Favco Berhad	Investment holding	Malaysia	**56.87**	57.30
Favelle Favco Cranes (M) Sdn. Bhd.	Manufacturing of cranes	Malaysia	**56.87**	57.30
Favelle Favco Cranes Pte. Ltd.*	Trading of cranes, spare parts and services	Singapore	**56.87**	57.30
Favelle Favco Cranes (USA), Inc*	Manufacturing of cranes	United States of America	**56.87**	57.30
Favelle Favco Cranes Pty Limited* and its subsidiaries:	Manufacturing of cranes	Australia	**56.87**	57.30
FF Management Pty. Limited*	Management services	Australia	**56.87**	57.30
Kroll Cranes A/S*	Manufacturing of cranes	Denmark	**56.87**	57.30
Favelle Favco Equipment Services Sdn. Bhd.*	Hiring and repair of cranes	Malaysia	**56.87**	57.30
Marine shipbuilding and ship repair segment				
Muhibbah Marine Engineering Sdn. Bhd. and its subsidiary:	Ship building, renting of ship, providing ship repair services, trading of marine supplies and provision of other engineering works	Malaysia	**100**	100
Energy Ocean Ltd.	Trading of motor vessels, spare parts and other services	Labuan	**100**	-
Juara Lagi Sdn. Bhd.	Vessel chartering services	Malaysia	**100**	100

Notes to the financial statements (continued)

6. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2009 %	2008 %
Infrastructure construction segment				
Elelink Sdn. Bhd. and its subsidiary: *#	Investment holding	Malaysia	**100**	100
ITS Konsortium Sdn. Bhd.	Commissioning of intelligent transport system solution	Malaysia	**60**	60
Muhibbah Petrochemical Engineering Sdn. Bhd. and its subsidiary: #	Oil, gas, petrochemical engineering and related works	Malaysia	**90**	90
Eaststar Ltd.	Leasing of plant and machinery	Labuan	**90**	90
Muhibbah Engineering (Singapore) Pte. Ltd *#	Civil and structural engineering contract works	Singapore	**100**	100
MEB Construction Sdn. Bhd.#	Civil and structural engineering contract works	Malaysia	**100**	100
Muhibbah Steel Industries Sdn. Bhd.*#	Structural steel fabrication and related works	Malaysia	**100**	100
Muhibbah Airline Support Industries Sdn. Bhd.#	Manufacturing and services for for airline support equipment	Malaysia	**100**	100
Muhibbah Marine Engineering (Deutschland) GmbH*	Constructing and leasing of marine plants	Germany	**95**	95
Muhibbah Masteron Cambodia JV Limited*#	Investment holding and civil and structural engineering contract works	Cambodia	**70**	70
Ann Bee (M) Sdn. Bhd.*	Manufacture of aluminium foils and carbonless papers	Malaysia	**100**	100
MEB Marketing Sdn. Bhd.*	Distribution and marketing of construction materials	Malaysia	**100**	100
Aspect Saga Sdn. Bhd.*#	Investment holding company	Malaysia	**100**	50

Notes to the financial statements (continued)

6. Investments in subsidiaries (continued)

Company	Principal activities	Country of incorporation	Effective ownership interest 2009 %	2008 %
***Infrastructure construction segment** (continued)*				
Muhibbah Reefers Sdn. Bhd.*	Manufacturing of containers and refrigerator containers	Malaysia	**100**	100
Khas Jejaka Sdn. Bhd.*#	Investment holding	Malaysia	**100**	100
Muhibbah International Labuan Ltd. #	Offshore leasing and International trade business	Labuan	**100**	100
Muhibbah Offshore Services Ltd	Leasing of plants	Labuan	**95**	95
Muhibbah Engineering (Cambodia) Co. Ltd*#	Construction, quarry and trading business	Cambodia	**60**	60
Concession segment				
Muhibbah Airport Services (Labuan) Ltd.#	Investment holding	Labuan	**70**	70

* Subsidiaries not audited by KPMG

\# The auditors' reports on the audited financial statements of the subsidiaries contained an emphasis on the reliance of these subsidiaries on the continuing financial support from the Company and/or bankers in order to continue operating as going concerns.

(a) The Group's effective interest in Favelle Favco Berhad ("FFB") was diluted from 57.30% to 56.87%, pursuant to the exercise of employees share options by eligible employees of FFB during the year.

(b) On 2 January 2009, the Company acquired the entire equity interest in Juara Lagi Sdn. Bhd. from Muhibbah Marine Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company, for a purchase consideration of RM2,725,569.

(c) On 2 April 2009, the Company subscribed for an additional new issue of 17,000,000 ordinary shares of RM1 each in Muhibbah Airline Support Industries Sdn. Bhd. at par via the capitalisation of amounts due from the subsidiary.

(d) On 20 November 2009, the Company subscribed for an additional new issue of 10,500,000 ordinary shares of SGD1 each in Muhibbah Engineering (Singapore) Pte. Ltd. at par for a cash consideration of SGD10,500,000/ RM25,444,000.

Notes to the financial statements (continued)

6. Investments in subsidiaries (continued)

(e) On 21 December 2009, the Company increased its equity interest in Konsortium Muhibbah Eng-LTAT Sdn. Bhd. via the acquisition of 49,000 ordinary shares (representing the remaining equity interest held by the minority shareholders) in the subsidiary from the minority shareholders for a purchase consideration of RM406,300.

(f) On 23 July 2009, the Company disposed of 50% of its equity interest in International Offshore Well Intervention Sdn. Bhd. (formerly known as Mebit Sdn Bhd), resulting in the change of the status from wholly-owned subsidiary to a 50% investment in associate.

7. Investments in associates

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Unquoted shares				
- At cost	**62,744**	62,640	**8,501**	8,501
- Share of post-acquisition reserves	**62,695**	62,041	**-**	-
	125,439	124,681	**8,501**	8,501
Less: Impairment loss	**(472)**	(472)	**(77)**	(77)
	124,967	124,209	**8,424**	8,424
Summary financial information of associates:				
Total assets (100%)	**917,855**	752,666		
Total liabilities (100%)	**473,169**	327,527		
Revenue (100%)	**537,266**	556,843		
Profit for the year (100%)	**100,657**	114,663		

Notes to the financial statements (continued)

7. Investments in associates (continued)

Details of the active associates are as follows:

Company	Principal activities	Country of incorporation	Effective ownership interest 2009 %	2008 %
Concession segment				
Roadcare (M) Sdn. Bhd.*	Operation and maintenance of roadways and bridges	Malaysia	**21**	21
Freyssinet PSC (M) Sdn. Bhd.*	Civil engineering and construction works	Malaysia	**50**	50
Societe Concessionaire de l' Aeroport *	Operator and concessionaire of airports in Cambodia	Cambodia	**21**	21
Cambodia Airport Management Services Ltd **	Provision of airport management services	Cambodia	**21**	21
Inno Marine Services Sdn. Bhd.*	Marine leasing activities	Malaysia	**37.5**	37.5

The financial year end of all the associates is 31 December.

The investments in Roadcare (M) Sdn. Bhd., Freyssinet PSC (M) Sdn. Bhd. and Cambodia Airport Management Services Ltd. have been equity accounted for based on the unaudited financial statements of the associates for the year ended 31 December 2009.

* Associates not audited by KPMG
** Associate audited by a member firm of KPMG International

Notes to the financial statements (continued)

8. Receivables, deposits and prepayments

		Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current					
Non-trade					
Amount due from a subsidiary	8.2	**-**	-	**10,000**	10,000
		-	-	**10,000**	10,000
Current					
Trade					
Trade receivables	8.1/8.3	**206,987**	197,913	**-**	-
Progress billings receivable	8.3	**673,961**	444,169	**566,885**	301,156
Amounts due from subsidiaries	8.4	**-**	-	**160,560**	214,283
Amounts due from associates	8.5	**64,510**	11,967	**3,505**	355
Amounts due from joint ventures	8.6	**4,982**	4,982	**-**	-
		950,440	659,031	**730,950**	515,794
Less: Allowance for doubtful debts		**(15,254)**	(10,455)	**(26,032)**	(10,800)
		935,186	648,576	**704,918**	504,994
Non-trade					
Amounts due from subsidiaries	8.4	**-**	-	**125,265**	163,636
Amounts due from associates	8.5	**25,845**	18,132	**6,731**	5,529
Other receivables		**57,593**	51,657	**41,352**	36,453
		83,438	69,789	**173,348**	205,618
Less: Allowance for doubtful debts		**(9,284)**	(9,076)	**(9,534)**	(30,275)
		74,154	60,713	**163,814**	175,343
Deposits		**2,058**	4,685	**301**	405
Prepayments		**6,664**	7,039	**-**	-
		82,876	72,437	**164,115**	175,748
		1,018,062	721,013	**869,033**	680,742

Notes to the financial statements (continued)

8. Receivables, deposits and prepayments (continued)

8.1 Included in the trade receivables and amounts due from contract customers (Note 12) for contract works are the following:-

(a) A trade debt of RM337.0 million (including retention sum of RM22.5 million) and an amount due from contract customer of RM28.3 million in relation to a project undertaken by the Company for the engineering, construction, installation, commissioning and completion of a bunkering facility has been outstanding for more than a year.

The project has temporarily ceased during the financial year ended 31 December 2009 due to financing difficulties encountered by the project owner. The last progress payment received by the Company was in February 2009. The project owner has continued to approve the progress billings submitted by the Company and had acknowledged its obligations under the contract signed with the Company. The project owner has informed the Company that it is in the process of arranging an alternative source of financing and expects the arrangement to be completed by mid 2010.

The Directors have evaluated the situation and other evidence available, including the assessment of the status of the project owner's refinancing arrangements, and are of the view that no allowance for doubtful debts or a write down in the amount due from contract customer is required at this moment.

(b) An amount due from a contract customer of RM36.0 million and a retention sum amount of RM2.0 million relating to a project undertaken by the Company in the Middle East has been outstanding for more than a year. Subsequent to year end, the project owner had notified the Company of its decision to terminate the Company's services. As at 31 December 2009, the Company's net exposure to the project after accounting for the advance received of RM16.7 million, amounted to RM21.3 million. No allowance has been made for the net exposure of RM21.3 million as of the date of this report.

The Directors of the Company are of the view that the contract termination is wrongful and unjustifiable. The Company is taking action to pursue remedy and protect its interest. The Directors are of the view that it is premature to account for a possible write down or crystalisation of any further liability that may arise in relation to this project.

Notes to the financial statements (continued)

8. Receivables, deposits and prepayments (continued)

8.2 The long term advance due from a subsidiary is non trade in nature, interest free, unsecured and is not expected to be repayable within the next twelve months.

8.3 Included in trade receivables and progress billings receivable are major receivables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Australian Dollars	**4,602**	19,951	**-**	-
Euro Dollars	**7,323**	14,649	**1,974**	1,116
Qatar Riyal	**16,004**	35,863	**28,108**	35,863
Singapore Dollars	**102,384**	9,352	**-**	-
Chinese Yuan Renminbi	**6,315**	5,592	**-**	-
Hong Kong Dollar	**864**	875	**-**	-
US Dollars	**132,249**	141,289	**80,949**	59,559

Also included in trade receivables and progress billings receivable of the Group and of the Company are retention sums of RM118,117,000 (2008 - RM47,372,000) and RM116,466,000 (2008 - RM46,702,000) respectively.

8.4 The amounts due from subsidiaries of the Company are unsecured with no fixed terms of repayment and are interest free, other than an amount due from a subsidiary of RM2,745,000 (2008 - RM2,832,000) which is subject to interest of 5% (2008 - 5.0%) per annum.

8.5 The amounts due from associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment. Included in amounts due from associates of the Group and of the Company are retention sums of RM355,000 (2008 - RM355,000).

8.6 The amounts due from joint ventures are interest free, unsecured and have no fixed terms of repayment.

Notes to the financial statements (continued)

9. Goodwill on consolidation

	Group	
Cost /Carrying amounts	**2009 RM'000**	**2008 RM'000**
At 1 January	**22,171**	571
Acquisition of subsidiary	**-**	21,600
Impairment losses	**(571)**	-
At 31 December	**21,600**	22,171

Impairment testing for goodwill

Goodwill has been allocated to the Group's cash generating units, all operating in Malaysia, according to business segments. The carrying amount of goodwill was assessed for impairment during the year. The recoverable amount of goodwill is determined based on the value in use of the subsidiary.

The value in use was determined by discounting the future cash flows of the subsidiary and was based on the following key assumptions:

a) cash flows were projected based on actual operating results

b) the subsidiary will continue its operations indefinitely

c) the projected gross margin reflects the average historical gross margin, adjusted for projected market and economic conditions

d) the subsidiary will generate cash flow from the sale of a piece of land. Should the sale be aborted, the cash flows to be generated from the use of the land will exceed the projected sale value

e) the post-tax discount rate used is 7%

Notes to the financial statements (continued)

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2009 RM'000	Assets 2008 RM'000	Liabilities 2009 RM'000	Liabilities 2008 RM'000	Net 2009 RM'000	Net 2008 RM'000
Property, plant and equipment	**-**	-	**25,135**	7,385	**25,135**	7,385
Tax loss carry-forwards	**(5,008)**	(33)	**-**	-	**(5,008)**	(33)
Other items	**(4)**	-	**-**	273	**(4)**	273
Tax (assets)/ liabilities	**(5,012)**	(33)	**25,135**	7,658	**20,123**	7,625
Set off of tax	**3,419**	-	**(3,419)**	-	**-**	-
Net tax (assets)/ liabilities	**(1,593)**	(33)	**21,716**	7,658	**20,123**	7,625

Company	Assets 2009 RM'000	Assets 2008 RM'000	Liabilities 2009 RM'000	Liabilities 2008 RM'000	Net 2009 RM'000	Net 2008 RM'000
Property, plant and equipment	**-**	-	**12,375**	-	**12,375**	-
Tax loss carry-forwards	**(4,975)**	-	**-**	-	**(4,975)**	-
Net tax (assets)/ liabilities	**(4,975)**	-	**12,375**	-	**7,400**	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect to the following items:

	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Property, plant and equipment	**(8,214)**	(22,191)	**-**	(22,318)
Other temporary differences	**18,240**	35,090	**-**	34,864
Unabsorbed capital allowances	**13,648**	64,677	**-**	49,158
Tax loss carry-forwards	**190,596**	189,136	**-**	48,074
	214,270	266,712	**-**	109,778

Notes to the financial statements (continued)

10. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets (continued)

The deductible temporary differences do not expire under current tax legislation except for unutilised tax losses carry forwards amounting to RM190,596,000 (2008 – RM189,136,000) shown above which can only be carried forward for 20 years from the year the losses were incurred. These tax losses will begin to expire from 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

Movement in temporary differences during the year

	Property plant and equipment RM'000	Unabsorbed capital allowances RM'000	Tax loss carry forwards RM'000	Other items RM'000	Total RM'000
Group					
As at 1 January 2008, restated	12,070	(409)	(2,902)	(314)	8,445
Recognised in income statement (Note 23)	(4,685)	409	2,869	587	(820)
As at 31 December 2008/ 1 January 2009	7,385	-	(33)	273	7,625
Recognised in equity	3,198	-	-	-	3,198
Recognised in income statement (Note 23)	14,552	-	(4,975)	(277)	9,300
As at 31 December 2009	25,135	-	(5,008)	(4)	20,123
Company					
As at 1 January 2008/ 31 December 2008/ 1 January 2009	-	-	-	-	-
Recognised in income statement (Note 23)	12,375	-	(4,975)	-	7,400
As at 31 December 2009	12,375	-	(4,975)	-	7,400

Notes to the financial statements (continued)

11. Other non-current assets

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other investments	**62**	84	**9**	9
Development costs	**11,185**	13,572	**-**	-
Land held for development	**13,578**	13,812	**-**	-
	24,825	27,468	**9**	9

	Land held for development Group		Development costs Group	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost				
At 1 January	**15,204**	7,364	**19,921**	8,048
Additions	**239**	18	**-**	12,922
Acquisition of a subsidiary	**-**	8,237	**-**	-
Disposal	**(332)**	(960)	**-**	-
Written off	**-**	-	**(210)**	-
Exchange difference	**(155)**	545	**1,900**	(1,049)
At 31 December	**14,956**	15,204	**21,611**	19,921
Accumulated impairment/amortisation				
At 1 January	**1,392**	1,336	**6,349**	4,921
Amortisation charge for the year	**-**	-	**3,084**	2,079
Exchange difference	**(14)**	56	**993**	(651)
At 31 December	**1,378**	1,392	**10,426**	6,349
Carrying amounts				
At 1 January	**13,812**	6,028	**13,572**	3,127
At 31 December	**13,578**	13,812	**11,185**	13,572

Notes to the financial statements (continued)

11. Other non-current assets (continued)

Development costs represent internally generated development expenditure by subsidiaries on new or substantially improved major crane projects. It is reasonably anticipated that the development expenditure will be recovered through future commercial activity. The remaining amortisation period of development expenditure at the end of financial year ranged from 1 year to 4 years (2008 - 1 year to 5 years).

Title

The long term leasehold land in a foreign subsidiary is registered in the name of its director cum minority shareholder who holds the property in trust for the foreign subsidiary.

12. Amount due from/to contract customers

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Aggregate costs incurred to date	**5,327,898**	4,749,534	**3,397,970**	2,377,432
Add: Attributable profits less foreseeable losses	**(69,453)**	221,807	**(55,130)**	(44,180)
	5,258,445	4,971,341	**3,342,840**	2,333,252
Less: Progress billings	**(5,255,214)**	(4,606,046)	**(3,148,611)**	(1,951,086)
	3,231	365,295	**194,229**	382,166
Amount due from contract customers	**354,866**	738,207	**217,069**	481,088
Amount due to contract customers	**(351,635)**	(372,912)	**(22,840)**	(98,922)
	3,231	365,295	**194,229**	382,166

Additions to aggregate costs incurred during the year include:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Depreciation of property, plant and equipment	**15,450**	11,466	**13,345**	11,332
Finance costs	**19,384**	25,889	**19,384**	25,889
Rental expense	**167,557**	161,189	**158,914**	142,734
Share-based payments	**210**	762	**210**	762

Notes to the financial statements (continued)

13. Inventories

	Group	
	2009 RM'000	2008 RM'000
At cost:		
Cranes	**4,512**	4,237
Raw materials	**40,760**	75,762
Crane components	**80,458**	76,395
Work-in-progress	**39,591**	32,368
Manufactured and trading inventories	**3,475**	3,848
	168,796	192,610
At net realisable value:		
Cranes	**19,338**	12,817
Crane components	**11,997**	10,155
Raw materials	**35**	35
	200,166	215,617
Carrying amount of inventories pledged as security for bank borrowings	**-**	2,372

14. Cash and cash equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	**196,860**	108,363	**27,004**	38,119
Deposits placed with licensed banks	**52,449**	108,367	**757**	65,757
	249,309	216,730	**27,761**	103,876

Notes to the financial statements (continued)

15. Share capital

		Group and Company			
		Number of shares		Amount	
		2009	2008	2009	2008
		’000	’000	RM’000	RM’000
Ordinary shares of RM0.50 each					
Authorised:					
At 1 January/31 December		**1,000,000**	1,000,000	**500,000**	500,000
Issued and fully paid:					
At 1 January		**392,938**	383,566	**196,469**	191,783
Exercise of ESOS	(i)	**4,433**	9,372	**2,216**	4,686
At 31 December		**397,371**	392,938	**198,685**	196,469

(i) During the financial year, a total of 4,433,250 (2008 - 9,371,750) new ordinary shares of RM0.50 (2008 - RM0.50) each were issued at RM0.51 (2008 - RM0.51) for cash pursuant to the employees’ share options scheme (“ESOS”) of the Company. The premium arising from the exercise of ESOS of RM44,000 (2008 - RM92,000) has been credited to the share premium account. The details of options granted under the Company’s ESOS, which remain outstanding at 31 December 2009, are disclosed in Note 25.

16. Capital and reserves

Treasury shares

This amount represents the acquisition cost for the repurchase of the Company’s ordinary shares, net of the proceeds received on their subsequent sale or issuance of the shares repurchased.

The Company repurchased 412,000 ordinary shares of RM0.50 each during the financial year ended 31 December 2008 of its issued shares from the open market at an average price of RM2.11 per ordinary share. The total consideration paid (inclusive of transaction costs) for the repurchases was RM892,869. The number of treasury shares held is 1,783,000 (2008 - 1,783,000). None of the treasury shares held are sold or cancelled during the year ended 31 December 2009.

16. Capital and reserves (continued)

Share premium

The share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above par value and the transfer of option reserve to share premium when the share options are exercised.

The share premium may be applied only for the purposes as specified in the Companies Act, 1965.

Revaluation reserve

Revaluation reserve of the Group relates to the revaluation of freehold land of the Company and certain subsidiaries, and the revaluation of an investment in a subsidiary by the Company in 1982.

Capital reserve

The capital reserve of the Group represents reserve arising from the redemption of preference shares issued by a subsidiary, and the capitalisation of distributable reserve for issuance of bonus shares by subsidiaries in previous years.

Share option reserve

The share option reserve of the Group and of the Company comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Translation reserve

The translation reserve of the Group and of the Company comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Section 108 credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its retained earnings at 31 December 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from the year of assessment 2008. As such, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Notes to the financial statements (continued)

17. Loans and borrowings

The note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings. For more information about the Group's and Company's exposure to interest rate risk, see Note 29.

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current				
Secured				
Term loans	**109,439**	37,811	**-**	-
Hire purchase liabilities	**1,256**	1,707	**-**	-
Unsecured				
Term loans	**59,320**	77,107	**57,706**	73,838
	170,015	116,625	**57,706**	73,838
Current				
Secured				
Term loans	**19,273**	9,792	**-**	-
Bank overdrafts	**-**	5	**-**	-
Hire purchase liabilities	**542**	517	**-**	-
	19,815	10,314	**-**	-
Unsecured				
Term loans	**17,425**	17,574	**15,810**	15,939
Bank overdrafts	**2,067**	8,203	**286**	1,496
Revolving credits	**45,110**	98,939	**11,000**	73,000
Insurance premium finance	**1,633**	852	**-**	-
	86,050	135,882	**27,096**	90,435
	256,065	252,507	**84,802**	164,273

Notes to the financial statements (continued)

17. Loans and borrowings (continued)

Terms and debt repayment schedule

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Group						
2009						
Term loans						
- secured	2012 - 2019	128,712	19,273	19,272	45,096	45,071
- unsecured	2011 - 2018	76,745	17,425	17,423	21,655	20,242
Bank overdrafts						
- unsecured	-	2,067	2,067	-	-	-
Revolving credits						
- unsecured	-	45,110	45,110	-	-	-
Insurance premium finance						
- unsecured	-	1,633	1,633	-	-	-
Hire purchase liabilities	2012 - 2014	1,798	542	1,115	141	-
		256,065	86,050	37,810	66,892	65,313
2008						
Term loans						
- secured	2011 - 2015	47,603	9,792	9,792	24,336	3,683
- unsecured	2009 - 2012	94,681	17,574	13,659	37,706	25,742
Bank overdrafts						
- secured	-	5	5	-	-	-
- unsecured	-	8,203	8,203	-	-	-
Revolving credits						
- unsecured	-	98,939	98,939	-	-	-
Insurance premium finance						
- unsecured	-	852	852	-	-	-
Hire purchase liabilities	2012 - 2013	2,224	517	1,436	271	-
		252,507	135,882	24,887	62,313	29,425

Notes to the financial statements (continued)

17. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Company						
2009						
Term loans						
- unsecured	2018	73,516	15,810	15,810	21,655	20,241
Bank overdrafts						
- unsecured	-	286	286	-	-	-
Revolving credits						
- unsecured	-	11,000	11,000	-	-	-
		84,802	27,096	15,810	21,655	20,241
2008						
Term loans						
- unsecured	2018	89,777	15,939	12,024	36,072	25,742
Bank overdrafts						
- unsecured	-	1,496	1,496	-	-	-
Revolving credits						
- unsecured	-	73,000	73,000	-	-	-
		164,273	90,435	12,024	36,072	25,742

Hire purchase liabilities are payable as follows:

	Gross 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Gross 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Group						
Less than one year	577	(35)	542	553	(36)	517
Between one and five year	1,300	(44)	1,256	1,741	(34)	1,707
	1,877	(79)	1,798	2,294	(70)	2,224

Term loans

Subsidiaries

The secured term loans of the subsidiaries are charged against a piece of long term leasehold land of a subsidiary and a piece of long term leasehold land of the Company (Note 4), freehold land, buildings and certain plant and equipment (Note 3) and certain inventories (Note 13).

Notes to the financial statements (continued)

18. Payables and accruals

		Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current					
Non-trade					
Advances from minority shareholders	(i)	**16,905**	17,449	**-**	-
Current					
Trade					
Trade payables	(ii)	**757,861**	629,535	**469,507**	441,668
Amounts due to subsidiaries	(iii)	**-**	-	**180,472**	47,069
Amounts due to associates	(iv)	**1,548**	847	**711**	616
		759,409	630,382	**650,690**	489,353
Non-trade					
Amounts due to subsidiaries	(iii)	**-**	-	**10,068**	9,169
Amounts due to associates	(iv)	**542**	296	**-**	-
Provision	(v)	**16,736**	9,649	**4,527**	82
Other payables		**35,777**	57,214	**4,382**	13,938
Accrued expenses		**45,843**	38,197	**5,871**	8,034
		98,898	105,356	**24,848**	31,223
Total		**858,307**	735,738	**675,538**	520,576

(i) The advances from minority shareholders of a subsidiary of RM16,905,000 (2008 - RM17,449,000) are interest free, unsecured and are not expected to be repayable within the next twelve months.

(ii) Included in trade payables of the Group and of the Company are advances received from contract customers amounting to RM249,168,000 (2008 - RM283,152,000).

Notes to the financial statements (continued)

18. Payables and accruals (continued)

Included in trade payables are major payables denominated in currencies other than the functional currency, as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Australian Dollars	**17,429**	17,848	**-**	217
Danish Krone	**-**	14,466	**-**	-
Euro Dollars	**24,807**	49,533	**17,227**	37,284
Qatar Riyal	**107,101**	119,115	**107,101**	119,115
Singapore Dollars	**11,879**	13,948	**199**	2,026
US Dollars	**15,428**	66,286	**5,773**	33,317
Japan Yen	**1,237**	-	**-**	-
China Yuan Renminbi	**8,637**	-	**-**	-

(iii) The amounts due to subsidiaries of the Company are interest free, unsecured and have no fixed terms of repayment.

(iv) The amounts due to associates of the Group and of the Company are interest free, unsecured and have no fixed terms of repayment.

(v) Provision for warranty costs is made based on historical warranty data and a weighting of all possible outcomes against the associated probability of further costs being incurred on the completed projects where defect liability periods have commenced.

19. Bills payable

Bills payable of the Company are supported by a negative pledge executed by the Company and the bills payable of the subsidiaries are guaranteed by the Company. All bills payable of the Group and of the Company are unsecured and payable within a year and not subject to repricing before maturity.

20. Revenue

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue				
Contract revenue	**2,035,089**	1,832,430	**1,158,279**	1,045,603
Sale of goods	**136,795**	110,574	**-**	-
Services rendered	**80,165**	90,531	**4,617**	-
Dividend income	**-**	-	**91,814**	108,929
	2,252,049	2,033,535	**1,254,710**	1,154,532

Notes to the financial statements (continued)

21. Operating profit

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating profit is arrived at after charging:				
Allowance for doubtful debts	**5,007**	3,090	**-**	19,162
Allowance for slow moving inventories	**2,882**	5,984	**-**	-
Amortisation of development costs	**3,084**	2,079	**-**	-
Amortisation of intellectual property	**-**	281	**-**	-
Amortisation of prepaid lease payments	**377**	648	**93**	112
Depreciation of investment properties	**17**	173	**186**	372
Depreciation of property, plant and equipment	**24,668**	30,181	**804**	2,186
Development costs written off	**210**	-	**-**	-
Impairment loss of investments in subsidiaries	**-**	-	**30,156**	12,467
Impairment loss of investment properties	**-**	-	**-**	4,524
Impairment loss/(Reversal of impairment) of other investment	**22**	(5)	**-**	(5)
Audit fees - statutory:				
- Holding company's auditors				
- Statutory audit	**340**	297	**90**	90
- Others	**20**	20	**10**	10
- Other auditors	**578**	568	**-**	-
Bad debts written off	**145**	795	**-**	221
Cost of construction	**1,937,057**	1,720,229	**1,199,392**	1,101,509
Impairment of goodwill	**571**	-	**-**	-
Loss on dilution of interest in subsidiary	**294**	-	**-**	-
Loss on foreign exchange	**7,041**	-	**90**	-
Personnel expenses (including key management personnel)				
- contribution to Employees Provident Fund	**8,136**	9,718	**1,516**	1,576
- wages, salaries and others	**97,128**	131,767	**11,791**	12,147
Property, plant and equipment written off	**478**	-	**-**	-
Rental expense on:				
- premises	**1,740**	2,332	**850**	740
- equipment	**4,363**	1,374	**-**	-
Share-based payments	**845**	1,713	**524**	1,903

Notes to the financial statements (continued)

21. Operating profit (continued)

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
and after crediting:				
Gain on disposal of property, plant and equipment	**1,061**	1,070	**322**	27,392
Gain on disposal of leasehold land	**-**	-	**-**	33,251
Gain on disposal of investment properties	**-**	-	**6,121**	-
Gain on foreign exchange	**4,410**	10,866	**-**	4,701
Gross dividend income	**-**	-	**91,814**	108,929
Rental income on:				
- premises	**1,682**	1,091	**914**	928
- plant and machinery	**10,885**	10,200	**1,037**	263
Reversal of allowance for doubtful debts	**-**	-	**5,509**	-

22. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Directors of the Company				
- Fees	**810**	765	**432**	432
- Remuneration	**2,530**	2,018	**2,336**	1,851
	3,340	2,783	**2,768**	2,283

The Directors of the Company are the key management personnel for the Group with ultimate authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

Notes to the financial statements (continued)

23. Tax expense

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax expense				
Malaysia - current	**10,898**	1,672	**5,591**	2,744
- prior year	**1,868**	(8,644)	**1,914**	1,781
	12,766	(6,972)	**7,505**	4,525
Foreign - current	**17,548**	16,408	**5,314**	8,338
- prior year	**(317)**	1,443	**895**	1,489
	17,231	17,851	**6,209**	9,827
Deferred tax expense				
Origination of temporary differences	**10,088**	15	**7,400**	-
Over provision in prior years	**(788)**	(835)	**-**	-
	9,300	(820)	**7,400**	-
Total tax expense	**39,297**	10,059	**21,114**	14,352
Reconciliation of tax expense				
Profit before tax	**68,182**	44,930	**32,850**	66,948
Income tax using Malaysian tax rate at 25% (2008 - 26%)	**17,046**	11,682	**8,212**	17,406
Effect of different tax rates in foreign jurisdictions	**(2,086)**	(1,824)	**1,134**	(453)
Effect of deferred tax benefits not recognised	**-**	17,463	**-**	29,977
Utilisation of deferred tax benefits previously not recognised	**(13,111)**	-	**(27,445)**	-
Non-deductible expenses	**27,584**	31,896	**13,689**	10,331
Non-taxable income	**(5,887)**	(20,075)	**(5,837)**	(15,970)
Tax incentives	**(13,283)**	(18,166)	**-**	-
Tax exempt income	**(18,631)**	(1,961)	**(18,350)**	(30,209)
Non-deductible losses from foreign projects	**46,902**	-	**46,902**	-
Others	**-**	(920)	**-**	-
	38,534	18,095	**18,305**	11,082
(Over)/Underprovision in prior years				
- income tax expense	**1,551**	(7,201)	**2,809**	3,270
- deferred tax expense	**(788)**	(835)	**-**	-
Total tax expense	**39,297**	10,059	**21,114**	14,352

Notes to the financial statements (continued)

23. Tax expense (continued)

The corporate tax rates are 26% for the year of assessment 2008, 25% for year of assessment 2009 and subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

A subsidiary which is principally engaged in the designing, manufacturing, supply, servicing, trading and renting of cranes was granted tax exemption of 100% on cranes sales under Section 127, Income Tax Act, 1967 for a period of 10 years with effect from 1 June 2002.

24. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2009 RM'000	**2008 RM'000**
Profit attributable to ordinary shareholders	**12,680**	21,800

	Group	
	2009	**2008**
In thousands of shares		
Number of ordinary shares in issue at 1 January	**392,938**	383,566
Effect of shares issued under ESOS	**1,551**	3,352
Effect of shares repurchased	**-**	(333)
Total weighted average number of ordinary shares in issue (unit'000)	**394,489**	386,585
Basic earnings per share (sen)	**3.21**	5.64

Notes to the financial statements (continued)

24. Earnings per share (continued)

Diluted earnings per share

The Group has diluted potential ordinary shares from the options granted to eligible employees of the Group.

The calculation of diluted earnings per share for the year ended 31 December 2009 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding on the assumption that all the dilutive potential ordinary shares are fully converted, as follows:

	Group	
	2009 RM'000	**2008 RM'000**
Profit attributable to ordinary shareholders	**12,680**	21,800

	Group	
	2009	**2008**
In thousands of shares		
Weighted average number of ordinary shares	**394,489**	386,585
Effect of dilution arising from conversion of all employee share options	**5,972**	13,819
Adjusted weighted average number of ordinary shares at 31 December (unit '000)	**400,461**	400,404

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the share options were outstanding.

	Group	
	2009	**2008**
Diluted earnings per share (sen)	**3.17**	5.44

Notes to the financial statements (continued)

25. Employee benefits

Share-based payments

On 26 June 2006, the Company established an employees' share option scheme ("ESOS Scheme") to the eligible employees including Directors of the Company and its subsidiaries.

The main features of the ESOS Scheme are as follows:

(i) The maximum number of approved unissued new ordinary shares shall not exceed in aggregate 15% of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS Scheme;

(ii) Save for Directors, the eligible employees are those confirmed full time employees of the Group and who have served for a continuous period of at least 1 year;

(iii) A grantee shall be allowed to exercise the options granted to him/her subject to the following percentage limits based on his/her respective entitlement granted at the discretion of the ESOS Committee:

		← Year option is granted →				
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Cumulative % of	Year 1	-	-	-	-	-
options exercisable	Year 2	33.33%	-	-	-	-
during the	Year 3	66.67%	33.33%	-	-	-
option period	Year 4	100%	66.67%	66.67%	-	-
in:	Year 5	100%	100%	100%	100%	100%

(iv) The exercise price shall be based on the weighted average market price of the shares of the Company for the 5 market days immediately preceding the offer date subject to a discount of not more than 10% or at the par value of the shares of the Company, whichever is higher;

The following options were granted under the ESOS schemes:

Grant date	Number of Options '000	Outstanding at 1.1.2009 '000	Exercised '000	Forfeited '000	Outstanding/ Exercisable at 31.12.2009 '000	Expiry date
30.6.2006	37,270	16,003	4,433	560	11,010	2.8.2011
30.8.2007	692	643	-	155	488	2.8.2011
		16,646	4,433	715	11,498	

25. Employee benefits (continued)

Share-based payments (continued)

Subsidiary

Grant date	Exercise price RM	At 1.1.2009 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2009 '000	Expiry date
30.6.2006	0.55	7,850	-	(1,321)	(8)	6,521	29.6.2011
30.6.2007	1.90	310	-	-	(36)	274	29.6.2011
30.6.2008	1.09	476	-	-	(102)	374	29.6.2011
30.6.2009	0.86	-	667	-	(99)	568	29.6.2011
		8,636	667	(1,321)	(245)	7,737	

Details relating to options exercised during the year

	Company	
	2009 RM'000	2008 RM'000
Ordinary share capital at par	**2,216**	4,686
Share premium	**44**	92
Proceeds received on exercise of share options	**2,260**	4,778

	Company		Subsidiary	
	2009 RM	2008 RM	2009 RM	2008 RM
Average share price for the year	**1.06**	2.07	**0.83**	1.20

The value of employee services received for issue of share options is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Expense recognised as share-based payments	**845**	2,233	**524**	1,903

Notes to the financial statements (continued)

25. Employee benefits (continued)

Fair value of share options and assumptions

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes model, with the following inputs:

	Company		Subsidiary	
	2009	**2008**	**2009**	**2008**
Fair value at grant date (RM)				
- Granted in 2006	**0.20 - 0.25**	0.20 - 0.25	**0.17 - 0.22**	0.17 - 0.22
- Granted in 2007	**0.98 - 1.39**	0.98 - 1.39	**0.76 - 1.03**	0.76 - 1.03
- Granted in 2008	**-**	-	**0.30 - 0.37**	0.30 - 0.37
- Granted in 2009	**-**	-	**0.32**	-
Weighted average share price (RM)				
- Granted in 2006	**0.57**	0.57	**0.55**	0.55
- Granted in 2007	**3.70**	3.70	**2.04**	2.04
- Granted in 2008	**-**	-	**1.18**	1.18
- Granted in 2009	**-**	-	**0.98**	-
Exercise price (RM)				
- Granted in 2006	**0.51**	0.51	**0.55**	0.55
- Granted in 2007	**3.60**	3.60	**1.90**	1.90
- Granted in 2008	**-**	-	**1.09**	1.09
- Granted in 2009	**-**	-	**0.86**	-
Expected volatility (%)	**38.40-40.98**	38.40-40.98	**33.67-59.24**	38.69-59.24
Expected option life (years)	**2**	3	**2**	3
Risk free interest rate (%) (based on Malaysia government bonds)				
- Granted in 2006	**4.14 - 4.31**	4.14 - 4.31	4.48 - 4.57	4.48 - 4.57
- Granted in 2007	**3.45 - 3.48**	3.45 - 3.48	**3.30 - 3.35**	3.30 - 3.35
- Granted in 2008	**-**	-	**4.04 - 4.12**	4.04 - 4.12
- Granted in 2009	**-**	-	**2.56**	-
Expected staff turnover (%)	**5.00**	5.00	**5.00 - 15.00**	5.00 - 15.00

The expected volatility reflects the assumption that the historical volatility is indicative of future trends and not necessarily be the actual outcome. The expected option life is based on historical data, which may also not necessarily be indicative of exercise patterns that may occur.

Notes to the financial statements (continued)

26. Dividends

Dividends recognised in the current year by the Company are:

Ordinary dividends	Per share Sen	Total amount RM'000	Date of payment
2009			
Final per ordinary share of RM0.50 each less 25% tax - for the year ended 31 December 2008	2.50	7,397	17 September 2009
2008			
Final per ordinary share of RM0.50 each less 26% tax - for the year ended 31 December 2007	4.50	13,005	18 September 2008

Proposed final dividend for the year ended 31 December 2009

The Directors have recommended a first and final dividend of 5% (2.50 sen) less 25% tax per ordinary share of RM0.50 each totaling RM7,417,270 in respect of the year ended 31 December 2009, which will be paid after the financial year end subject to approval by the shareholders at the forthcoming Annual General Meeting, based on the issued and paid-up share capital (excluding treasury shares) of 395,587,750 ordinary shares of RM0.50 each as at 31 December 2009. The proposed final dividend has not been accounted for in the financial statements of the Group and of the Company as at 31 December 2009.

Dividends per ordinary share

The calculation of dividends per ordinary share is based on the proposed gross final dividend for the financial year ended 31 December 2009 of RM9,889,694 (2008 - RM9,824,000) on the issued and paid-up share capital (excluding treasury shares) of 395,587,750 ordinary shares of RM0.50 each (2008 - 391,155,000 ordinary shares of RM0.50 each) as at 31 December 2009.

Notes to the financial statements (continued)

27. Segmental information

Business segments

The Group comprises the following main business segments:

Infrastructure construction	Construction of petroleum hub and bunkering facilities, oil and gas terminals, liquefied natural gas jetty works, marine ports, bridges and dams, airport terminals runway and facility support buildings, heavy concrete foundations and other similar construction works
Cranes	Design, manufacture, supply, trading, leasing and service provider of offshore oil and gas pedestal cranes, tower cranes, shipyard cranes and other heavy lifting equipment cranes
Marine ship building and ship repair	Design, engineering, building and service provider of anchor handling tug boats, supply vessels, accommodation ships and marine vessels for the offshore oil and gas exploration and production works
Concession	Privatisation of international airports in Cambodia and road maintenance works in the central region of Peninsular Malaysia

Geographical segments

The infrastrucutre construction segment is operating mainly in Malaysia, Qatar, Yemen, Syria, Singapore and Cambodia. The cranes segment is managed on a worldwide basis with its head office in Malaysia. The cranes segment has manufacturing plants in Malaysia, Australia, United States of America and Denmark. The marine ship building and ship repair segment operates in Malaysia. The airport concession segment is managed in Cambodia and the road maintenance concession works are carried out in the central region of Peninsular Malaysia.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of the respective principal operations.

Notes to the financial statements (continued)

27. Segmental information (continued)

Business segments

	Infrastructure construction		Cranes		Marine ship building and ship repair		Concession		Eliminations		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue from external customers	1,422,640	1,215,258	533,203	571,782	296,206	246,495	-	-	-	-	2,252,049	2,033,535
Inter-segment revenue	358,529	537,110	1,544	9,343	18,426	59,511	1,169	1,357	(379,668)	(607,321)	-	-
	1,781,169	1,752,368	534,747	581,125	314,632	306,006	1,169	1,357	(379,668)	(607,321)	2,252,049	2,033,535
Operating profit	46,668	141,523	39,635	32,248	58,200	31,242	1,189	1,498	(94,228)	(181,503)	51,464	25,008
Interest income	5,909	5,445	447	1,377	569	657	-	3	(3,959)	(4,353)	2,966	3,129
Finance costs	(6,482)	(29,668)	(5,028)	(6,256)	(1,366)	(2,052)	(120)	(348)	3,959	28,426	(9,037)	(9,898)
Share of results of associates	5,750	4,586	27	8	(827)	-	17,839	22,097	-	-	22,789	26,691
Profit before tax	51,845	121,886	35,081	27,377	56,576	29,847	18,908	23,250	(94,228)	(157,430)	68,182	44,930
Segment assets	2,234,356	2,321,811	690,069	619,441	360,745	337,857	55	57	(868,069)	(793,437)	2,417,156	2,485,729
Investments in associates	22,779	21,361	98	70	4	-	102,086	102,778	-	-	124,967	124,209
Total assets	2,257,135	2,343,172	690,167	619,511	360,749	337,857	102,141	102,835	(868,069)	(793,437)	2,542,123	2,609,938
Total liabilities	(1,834,845)	(1,952,354)	(501,055)	(458,347)	(266,725)	(252,770)	(5,792)	(6,944)	617,986	589,524	(1,990,431)	(2,080,891)
Total equity	422,290	390,818	189,112	161,164	94,024	85,087	96,349	95,891	(250,083)	(203,913)	551,692	529,047

Notes to the financial statements (continued)

27. Segmental information (continued)

Geographical segments

	Inside Malaysia 2009 RM'000	Inside Malaysia 2008 RM'000	Outside Malaysia 2009 RM'000	Outside Malaysia 2008 RM'000	Eliminations 2009 RM'000	Eliminations 2008 RM'000	Consolidated 2009 RM'000	Consolidated 2008 RM'000
Geographical segments								
Revenue from external customers	1,567,745	1,195,944	684,304	837,591	-	-	2,252,049	2,033,535
Inter-segment revenue	320,094	552,219	59,574	55,102	(379,668)	(607,321)	-	-
Total revenue	1,887,839	1,748,163	743,878	892,693	(379,668)	(607,321)	2,252,049	2,033,535
Operating profit	102,471	113,409	48,545	93,102	(99,552)	(181,503)	51,464	25,008
Interest income	6,032	6,500	893	982	(3,959)	(4,353)	2,966	3,129
Finance costs	(12,378)	(37,673)	(618)	(651)	3,959	28,426	(9,037)	(9,898)
Share of results of associates	12,034	12,221	10,755	14,470	-	-	22,789	26,691
Profit before tax	108,159	94,457	59,575	107,903	(99,552)	(157,430)	68,182	44,930
Segment assets	2,276,400	2,490,477	1,008,825	788,689	(868,069)	(793,437)	2,417,156	2,485,729
Investments in associates	36,404	34,170	88,563	90,039	-	-	124,967	124,209
Total assets	2,312,804	2,524,647	1,097,388	878,728	(868,069)	(793,437)	2,542,123	2,609,938
Segment liabilities	1,878,387	1,987,602	730,030	682,813	(617,986)	(589,524)	1,990,431	2,080,891

Notes to the financial statements (continued)

28. Capital commitments

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Contracted but not provided for:				
Plant and equipment	**2,300**	5,869	**2,300**	5,869
Factory building	**4,500**	5,637	**4,500**	-
Total (within one year)	**6,800**	11,506	**6,800**	5,869

29. Financial instruments

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The exposure to credit risk is monitored by the management on an ongoing basis.

At balance sheet date, there were no significant concentrations of credit risk other than the amount due from a trade debtor of RM337.0 million (2008: RM77.8 million) as mentioned in Note 8 to the financial statements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Group and the Company borrow to fund the acquisition of property, plant and equipment and for working capital purposes from banks and financial institutions, and have fixed deposits placed with licensed banks. Interest rate exposure is managed through the use of fixed and floating rate debts.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Notes to the financial statements (continued)

29. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Group 2009	2009 Effective interest rate %	2009 Total RM'000	2009 Less than 1 year RM'000	2008 Effective interest rate %	2008 Total RM'000	2008 Less than 1 year RM'000
Financial assets						
Deposits placed with licensed banks	**1.6 - 3.2**	**52,449**	**52,449**	2.0 - 3.5	108,367	108,367

Group 2009	2009 Effective interest rate %	2009 Total RM'000	2009 Less than 1 year RM'000	2008 Effective interest rate %	2008 Total RM'000	2008 Less than 1 year RM'000
Financial liabilities						
Secured term loans:	**2.9 - 5.6**			4.5 - 5.6		
- RM floating rate loans		**128,712**	**128,712**		47,603	47,603
Unsecured term loans:	**2.6 - 4.5**			3.3 - 6.2		
- RM floating rate loans		**47,742**	**47,742**		53,242	53,242
- USD floating rate loans		**29,003**	**29,003**		41,439	41,439
Unsecured revolving credits in:	**2.6 - 5.7**			4.1 - 5.5		
- RM		**34,800**	**34,800**		98,939	98,939
- SGD		**10,310**	**10,310**		-	-
Secured overdrafts	**-**			7.0		
- DKK		**-**	**-**		5	5
Unsecured bank overdrafts	**5.6 - 8.4**			7.3 - 7.8		
- RM		**1,379**	**1,379**		7,559	7,559
- USD		**688**	**688**		644	644
Insurance premium finance unsecured	**3.1**			3.2		
- AUD		**1,633**	**1,633**		852	852
Bills payable	**2.1 - 4.8**	**466,356**	**466,356**	4.0 - 4.5	679,212	679,212
		720,623	**720,623**		929,495	929,495

Notes to the financial statements (continued)

29. Financial instruments (continued)

Effective interest rates and repricing analysis (continued)

Company 2009	2009 Effective interest rate %	2009 Total RM'000	2009 Less than 1 year RM'000	2008 Effective interest rate %	2008 Total RM'000	2008 Less than 1 year RM'000
Financial assets						
Deposits placed with licensed banks	**1.6 - 2.0**	**757**	**757**	2.0 - 3.5	65,757	65,757
Financial liabilities						
Unsecured term loans:	**2.6 - 4.5**			3.4 - 6.2		
- RM floating rate loans		**47,742**	**47,742**		53,242	53,242
- USD floating rate loans		**25,774**	**25,774**		36,535	36,535
Unsecured revolving credits - RM	**3.2 - 3.8**	**11,000**	**11,000**	4.1 - 5.5	73,000	73,000
Unsecured bank overdrafts - RM	**5.6 - 6.8**	**286**	**286**	7.3 - 7.8	1,496	1,496
Bills payable	**2.3 - 4.5**	**349,802**	**349,802**	4.0 - 4.5	499,975	499,975
		434,604	**434,604**		664,248	664,248

Foreign currency risk

The currencies giving rise to this risk are primarily US Dollars, AUD Dollars, Qatar Riyal, SGD Dollars, EURO, DKK Kroner, Sudanese Dinar, Japan Yen and China Yuan Renminbi.

The Group and the Company hold derivative financial instruments to hedge their foreign currency risk exposures. The exposure to foreign currency risk of the Group and of the Company is monitored by the management from time to time.

The foreign exchange contracts are used as hedges to manage the operational exposures to foreign currency risks. The exposure to foreign currency risk of the Group and of the Company is also mitigated by natural hedging via borrowings and payment of operational costs and expenses in the same currency of the major receivables.

Notes to the financial statements (continued)

29. Financial instruments (continued)

Fair values

Recognised financial instruments

The carrying amount of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals and short term borrowings, approximate fair value due to the relatively short-term nature of these financial instruments.

The aggregate fair values of certain financial assets and liabilities carried on the balance sheets as at 31 December are represented in the following table.

	2009 Carrying amount RM'000	2009 Fair value RM'000	2008 Carrying amount RM'000	2008 Fair value RM'000
Group				
Financial assets				
Quoted shares - long term	**62**	**62**	84	84
Financial liabilities				
Secured term loans:				
- RM floating rate loans	**128,712**	**128,712**	47,603	47,603
Unsecured term loans:				
- RM floating rate loans	**47,742**	**47,742**	53,242	53,242
- USD floating rate loans	**29,003**	**29,003**	41,439	41,439
Company				
Financial assets				
Quoted shares - long-term	**49,000**	**80,360**	49,000	72,520
Financial liabilities				
Unsecured term loans:				
- RM floating rate loans	**47,742**	**47,742**	53,242	53,242
- USD floating rate loans	**25,774**	**25,774**	36,535	36,535

Notes to the financial statements (continued)

29. Financial instruments (continued)

Fair values (continued)

The fair value of quoted shares is their quoted market price at the balance sheet date.

It is not possible to establish the fair value of non-trade balances of amounts due from/(to) subsidiaries and associates. Most of the non-trade balances of subsidiaries and associates are interest free. Where interest is charged, it is based on inter-company relationship. The balances are unsecured and have no fixed terms of repayments.

In respect of the long-term borrowings with variable interest rates, the carrying amounts approximate fair values as they are repriced to market interest rates for liabilities with similar risk profiles.

The Company provides financial guarantees to financial institutions for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the subsidiaries are managed by the management team without an expectation of default on the credit lines.

It is not possible to establish the fair value of the cumulative redeemable convertible preference shares (“CRCPS”) and non-cumulative non-convertible redeemable preference shares (“NCNCRPS”) of the subsidiaries (Note 6) held by the Company due to the terms of issue of these shares. The CRCPS and NCNCRPS are redeemable any time after 30 June 2009 and 31 December 2012 respectively.

30. Contingent liabilities - unsecured

	Company	
	2009 RM’000	**2008 RM’000**
Corporate guarantees		
Corporate guarantees to licensed banks for credit facilities granted to subsidiaries	**192,828**	160,914

In the ordinary course of business, the Group and the Company also issue bank and performance guarantees to customers who awarded contracts to the Group.

Continuing financial support

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their financial obligations as and when they fall due (Note 6).

Notes to the financial statements (continued)

30. Contingent liabilities – unsecured (continued)

Contingent liabilities –litigation (Group)

a) Litigation against a subsidiary, Favelle Favco Berhad and Favelle Favco Cranes (USA) Inc. in the Supreme Court of the State of New York

A composition of personal injury actions, wrongful death actions, property damages actions, subrogation actions, and lien actions ("the Suits") related to the collapse of a Favelle Favco crane on 15th March 2008 in the City of New York have been filed against the Company and Favelle Favco Cranes (USA) Inc. ("FFCUSA").

The suit relates to an incident involving the collapse of a Favelle Favco crane said to be caused by rigging activity carried out by a third party. The U.S. Occupational Safety & Health Administration ("OSHA") found that slings (independent of the crane per se) used during the rigging activity tore open causing the said incident. The Company's and FFCUSA's inclusion in the suit is purported simply to be by reason that the crane was a Favelle Favco crane.

It is anticipated that this litigation will take between three and five years to resolve. The Directors are of the opinion that it is premature to assess the outcome of the actions at this point in time.

b) Litigation against a subsidiary, Krøll Cranes A/S "Krøll"

Toronto Crane Services Inc ("TCS") purchased a crane from Krøll in September 2003. The crane was subsequently sold by TCS to Abriaco Investments Ltd ("AIL"). In April 2007 an accident happened involving the crane. AIL is pursuing a claim for the alleged loss suffered estimated to be USD500,000/ RM1.7 million against Krøll and has instituted proceedings before the Canadian courts against Krøll. It is the opinion of Krøll`s Danish and Canadian counsels` that Krøll will have a good defence on this matter and management is of the opinion that it is unlikely that the case will result in any losses.

The Directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Notes to the financial statements (continued)

31. Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship with its subsidiaries (see Note 6) and its associates (see Note 7).

The significant related party transactions of the Group and of the Company, other than key management personnel compensation are as follows:

	Company	
	2009 RM'000	**2008 RM'000**
Significant transactions with subsidiaries:		
Gross dividend income receivable	**(78,747)**	(99,903)
Interest income receivable	**(3,959)**	(2,832)
Progress billings receivable	**(28,992)**	(40,600)
Purchase of materials and services	**154,589**	357,772
Rental expense	**40,489**	3,400
Purchase of property, plant and equipment	**13,477**	20,688
Rental income receivable	**(859)**	(1,159)
Sale of property, plant and equipment	**(5,145)**	(96,341)
Sale of prepaid lease payments	**(14,500)**	(44,100)

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Significant transactions with associates:				
Gross dividend income receivable	**(23,824)**	(18,734)	**(13,067)**	(9,026)
Progress billing receivable	**(47,811)**	-	**-**	-
Technical assistance fee receivable	**(4,617)**	(3,456)	**(4,617)**	(3,456)
Sale of goods	**(15,806)**	(35,799)	**-**	-
Plant maintenance receivable	**(2,332)**	-	**-**	-
Significant transactions with joint ventures:				
Progress billings receivables	**-**	(17,542)	**-**	-

The above transactions have been entered into the natural course of business and have been established under negotiated terms.

Notes to the financial statements (continued)

31. Related parties (continued)

There are no significant allowance for doubtful receivables as at 31 December 2009 in respect of the above significant related party balances except for the receivables from certain subsidiaries and associates; MEB (Thailand) Co, Ltd of RM2,154,880 (2008 - RM2,126,000), Muhibbah Emirates Contracting LLC of RM1,648,000 (2008 - RM1,480,000), Muhibbah Engineering and Contracting Gulf WLL of RM303,000 (2008 - RM221,000), Muhibbah Engineering (Singapore) Pte Ltd of RM Nil (2008 - RM6,881,000), Muhibbah Airline Support Industries Sdn. Bhd. of RM365,000 (2008 - RM13,736,000) and Muhibbah Petrochemical Engineering Sdn. Bhd. of RM26,032,000 (2008 - RM10,800,000).

The outstanding net amount due from/(to) subsidiaries and associates and joint ventures as at 31 December 2009 are disclosed in Note 8 and Note 18 respectively.

The allowance for doubtful debts in respect of the above significant related party transactions with subsidiaries and associates for the year ended 31 December 2009 amounted to RM26,397,000 (2008 - RM31,417,000) and RM4,105,880 (2008 - RM3,827,000) respectively.

32. Subsequent event

On 16 April 2010, RAM Rating Services Berhad ("RAM") had assigned an enhanced long-term rating of AAA(s) with stable outlook to the Company's proposed RM130,000,000 Islamic Bonds with 38,000,000 detachable warrants of up to 5 years ("the Islamic Bonds"). The AAA(s) rating is supported by an irrevocable and unconditional guarantee from Malayan Banking Berhad (which covers the full nominal value of the Islamic Bonds plus one periodic profit payment) - to honour the Company's irrevocable and unconditional undertaking to purchase and cancel all the Islamic Bonds at the exercise price upon declaration of an event of default.

On 27 April 2010, the Company successfully issued RM130,000,000 nominal value of the Islamic Bonds together with 38,000,000 detachable warrants.

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 42 to 114 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………… ………………………………………

Mac Ngan Boon @ Mac Yin Boon **Low Ping Lin**

Klang,

Date:

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Lee Poh Kwee**, the officer primarily responsible for the financial management of Muhibbah Engineering (M) Bhd., do solemnly and sincerely declare that the financial statements set out on pages 42 to 114 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Klang on 30 April 2010.

………………………

Lee Poh Kwee

Before me:

John Kalanjian Chelliah @
Chelliah A/L Kalanjiam
Pesuruhjaya Sumpah Malaysia
(No. B218)

Independent auditors' report
to the members of Muhibbah Engineering (M) Bhd.

Report on the Financial Statements

We have audited the financial statements of Muhibbah Engineering (M) Bhd., which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 114.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of Muhibbah Engineering (M) Bhd. (continued)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matters:

(i) As discussed in Note 8 to the financial statements, a trade debt of RM337.0 million (including retention sum of RM22.5 million) and an amount due from contract customer of RM28.3 million in relation to a project undertaken by the Company for the engineering, construction, installation, commissioning and completion of a bunkering facility has been outstanding for more than a year.

The project has temporarily ceased during the financial year ended 31 December 2009 due to financing difficulties encountered by the project owner. The last progress payment received by the Company was in February 2009. The project owner has continued to approve the progress billings submitted by the Company and had acknowledged its obligations under the contract signed with the Company. The project owner has informed the Company that it is in the process of arranging an alternative source of financing and expects the arrangement to be completed by mid 2010.

The Directors have evaluated the situation and other evidence available, including the assessment of the status of the project owner's refinancing arrangements, and are of the view that no allowance for doubtful debts or a write down in the amount due from contract customer is required at this moment.

(ii) As discussed in Note 8 to the financial statements, an amount due from a contract customer of RM36.0 million and a retention sum amount of RM2.0 million relating to a project undertaken by the Company in the Middle East has been outstanding for more than a year. Subsequent to year end, the project owner had notified the Company of its decision to terminate the Company's services. As at 31 December 2009, the Company's net exposure to the project after accounting for the advance received of RM16.7 million, amounted to RM21.3 million. No allowance has been made for the net exposure of RM21.3 million as of the date of this report.

The Directors of the Company are of the view that the contract termination is wrongful and unjustifiable. The Company is taking action to pursue remedy and protect its interest. The Directors are of the view that it is premature to account for a possible write down or crystalisation of any further liability that may arise in relation to this project.

Independent auditors' report to the members of Muhibbah Engineering (M) Bhd. (continued)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Approval Number: 2613/12/10(J)
Chartered Accountant

Petaling Jaya,

Date: 30 April 2010

Top 10 List Properties as at 31 December 2009

No.	Location	Description of Property	Year of Revaluation/ Acquisition	Tenure	Land Area	Age of Building	Value RM'000
1	Teluk Gedung, Mukim of Klang, District of Klang, Selangor - Lot 104625 - HS(D) 99546	Office building and factory	2002	Leasehold expiring 2103	200,890 sq.m.	2 years	112,525
2	HSD 123837, Lot 104505, District of Klang, Selangor	4 storey office building, factory and warehouse	1994	Leasehold expiring 2106	86,937 sq.m.	12 years	52,374
3	Lot Nos. 31792 & 31814, Town of Senawang, Seremban, Negeri Sembilan	Factory building with office block	2008	Freehold	68,846 sq.m.	3 years	29,766
4	7 AL, Nordkranvej, 2 3540, Lynge DK Denmark	Factory building with office block	2008	Freehold	59,525 sq.m.	39 years	17,326
5	28, Yarrunga Street, Pestons, NSW 2170, Australia	Office building and factory	2008	Freehold	11.6 acres	39 years	15,519
6	Lot 9895, Geran # 26559, Kg. Jawa, Mukim of Klang, District of Klang, Selangor	Office building and factory	2008	Freehold	5.0 acres	16 years	13,826
7	Ream, Sihanoukville, Cambodia	Vacant land	2005	Leasehold expiring 2105	23.97 hectare	NA	10,941
8	Lot 17579, Mukim of Kapar, Sungai Rasau Kecil, Selangor	Office building and factory	2007	Freehold	1.57 acres	12 years	9,845
9	Lot 586, Mukim of Bukit Raja, District of Klang, Selangor	Detached factory with annexed 2 storey office block	2007	Freehold	2.9 acres	27 years	6,425
10	Ream, Sihanoukville, Cambodia	Land for digging sand to fill up Sihanoukville Airport	2006	Leasehold expiring 2106	14.02 hectare	NA	4,848

Analysis of Shareholdings as at 23 April 2010

Share Capital

Authorised share	:	RM500,000,000
Issued and fully paid-up capital	:	397,496,250 shares
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	One vote per ordinary share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares/ Securities Held	% of issued capital *
1 – 99	57	0.545	1,923	0.001
100 – 1,000	1,091	10.434	1,006,835	0.254
1,001 –10,000	6,633	63.437	34,103,366	8.618
10,001 –100,000	2,422	23.164	72,578,478	18.341
100,001 – 19,785,661	249	2.382	153,558,698	38.806
19,785,662 and above	4	0.038	134,463,950	33.980
Total	10,456	100.000	395,713,250	100.000

Note:
* *Excluding a total of 1,783,000 of shares purchased by the Company and retained as treasury shares as at 23 April 2010.*

Directors' Shareholdings as per Register of Directors' Shareholdings as at 23 April 2010

Name	Direct Interest	%	Deemed Interest	%
Tuan Haji Mohamed Taib bin Ibrahim	7,543,392	1.906	96,250(a)	0.024
Datuk Zakaria Bin Abdul Hamid	10,000	0.003	-	-
Mac Ngan Boon @ Mac Yin Boon	68,808,916(b)	17.389	23,937,500(a)	6.0492
Ooi Sen Eng	13,045,066	3.297	-	-
Low Ping Lin	2,955,000	0.747	-	-
Lim Teik Hin	-	-	50,000(c)	0.013
Mac Chung Jin	4,595,000	1.161	-	-

Notes:-

(a) *Deemed interested by virtue of the shares held by his wife and children pursuant to Section 134 of the Act.*

(b) *Certain shares are registered under RHB Capital Nominees (Tempatan) Sdn. Bhd. and Mayban Securities Nominees (Tempatan) Sdn. Bhd..*

(c) *Deemed interest by virtue of the shares held by his wife pursuant to Section 134 of the Act.*

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 23 April 2010.*

Analysis of Shareholdings as at 23 April 2010 (continued)

Shares in related corporation

There is no change in the deemed interest of directors in related companies as disclosed in the Directors' Report for the year ended 31 December 2009 on page 39 of this annual report.

Options in Company

There is no change in the employee share options held by the Directors in the Company as disclosed in Directors' Report for the year ended 31 December 2009 on page 39 of this annual report.

Substantial Shareholders as per Register of Substantial Shareholders as at 23 April 2010

Name	Direct Interest	%	Deemed Interest	%
Mac Ngan Boon @ Mac Yin Boon	68,808,916[(a)]	17.389	23,937,500[(b)]	6.049
Lembaga Tabung Haji	-	-	39,362,000[(c)]	9.947
Employee Provident Fund	-	-	33,134,350[(c)]	8.373

Notes:-

(a) Certain shares are registered under RHB Capital Nominees (Tempatan) Sdn. Bhd. and Mayban Securities Nominees (Tempatan) Sdn. Bhd.

(b) Deemed interested by virtue of the shares held by his wife and children pursuant to Section 134 of the Act.

(c) Based on the notice of interest of substantial shareholders pursuant to Section 69 of the Act, which had been received by the Company.

* *Excluding a total of 1,783,000 shares purchased by the Company and retained as treasury shares as at 23 April 2010*

List of 30 Largest Shareholders as at 23 April 2010

No.	Name of Shareholders	No of Shares held	% of issued capital (*)
1	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	40,800,000	10.310
2	Lembaga Tabung Haji	`39,362,000	9.947
3	Employees Provident Fund Board	29,301,950	7.405
4	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Ngan Boon @ Mac Yin Boon	25,000,000	6.318
5	Ooi Sen Eng	13,045,066	3.297
6	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Chew Keng Siew	10,000,000	2.527
7	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Noriyati Binti Hassan	10,000,000	2.527
8	Mohamed Taib Bin Ibrahim	6,349,642	1.605
9	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Chung Hui	5,000,000	1.264
10	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Dimensional Emerging Markets Value Fund	4,845,400	1.224
11	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Chung Jin	4,250,000	1.074
12	Mayban Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Mac Chung Lynn	4,000,000	1.011
13	Mac Ngan Boon @ Mac Yin Boon	3,008,916	0.760
14	Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Investment Management Sdn. Bhd. For Kumpulan Wang Simpanan Pekerja	3,000,000	0.758
15	Low Ping Lin	2,955,000	0.747
16	HSBC Nominees (Asing) Sdn. Bhd. BNY Brussels For Greatlink Asean Growth Fund	2,823,000	0.713
17	Othman Bin Chut	2,288,312	0.578
18	Ng Chiew Eng @ Ng Chiew Ming	2,000,000	0.505

List of 30 Largest Shareholders as at 23 April 2010 (continued)

No.	Name of Shareholders	No of Shares held	% of issued capital (*)
19	Citigroup Nominees (Asing) Sdn. Bhd. CB Spore GW For Lionglobal Malaysia Fund	1,760,000	0.445
20	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Lee Poh Kwee	1,583,772	0.400
21	Noriyati Binti Hassan	1,503,336	0.380
22	Kumpulan Wang Simpanan Pekerja	1,500,000	0.379
23	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN For JPMorgan Chase Bank, National Association (Norges Bk Lend)	1,496,400	0.378
24	Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt AN For MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd (Account 1)	1,431,000	0.362
25	Lee Poh Kwee	1,300,000	0.329
26	Baharuddin Bin Ali	1,217,316	0.308
27	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Alliance Investment Management Berhad For Employees Provident Fund	1,200,000	0.303
28	Cartaban Nominees (Asing) Sdn. Bhd. State Street Luxembourg Fund AD47 For Allianz Global Investors Fund-Allianz RCM Malaysia	1,200,000	0.303
29	Mohamed Taib Bin Ibrahim	1,193,750	0.302
30	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,077,300	0.272

Notes

Notes

Notes

MUHIBBAH ENGINEERING (M) BHD
(12737-K)

Proxy Form

Number of Shares Held

*I/*We ________________________ NRIC No. (New) ____________ (old) ____________

of ____

being a member/members of **Muhibbah Engineering (M) Bhd.**, hereby appoint the Chairman of the Meeting or Mr/Ms ________

________________________ NRIC No. (New) ____________ (old) ____________

of ____

or failing whom, ________________________ NRIC No. (New) ____________ (old) ____________

of ____

as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Thirty-Seventh Annual General Meeting of the Company which is to be held at Concorde Hotel Shah Alam, Concorde II, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 28 June 2010 at 3.30 p.m. and at any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below:

Ordinary Business	Resolution	For	Against
1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon.	1		
2. To approve a First and Final Dividend of 5% less 25% income tax in respect of the financial year ended 31 December 2009.	2		
3. To re-elect the following Directors who retire pursuant to Article 79 of the Company's Articles of Association :-			
a. Ooi Sen Eng	3		
b. Low Ping Lin	4		
c. Lim Teik Hin	5		
4. To consider and, if thought fit, to pass the following resolution :- "THAT Tuan Haji Mohamed Taib bin Ibrahim, a Director who retires pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company in accordance with Section 129(6) of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting."	6		
5. To appoint Messrs Crowe Horwath (AF: 1018) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	7		
As Special Business :			
6. ORDINARY RESOLUTION Proposed Renewal of Share Buy-Back Authority.	8		
7. ORDINARY RESOLUTION Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.	9		
8. SPECIAL RESOLUTION Proposed Amendments to the Articles of Association.	10		

Please indicate with (X) on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this .... day of 2010

....
[Signature/Common Seal of Shareholder(s)]
[* Delete if not applicable]

NOTES:

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. Proxy/proxies may but need not be a member/members of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. When a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office at Lot 579 & 586, 2nd Mile, Jalan Batu Tiga Lama, 41300 Klang, Selangor Darul Ehsan, Malaysia at least forty-eight (48) hours before the time set for holding the Meeting or at any adjournment thereof.

Affix
Stamp
Here

Muhibbah Engineering (M) Bhd (12737-K)

Lot 579 & 586, 2nd Mile,
Jalan Batu Tiga Lama, 41300 Klang,
Selangor Darul Ehsan, Malaysia.