

2004
annual report





Two tunnel boring machines, each almost the length of a football field, will bore 9.7 km under Kuala Lumpur city to create a stormwater tunnel that will divert flood water away from and bypass the city centre. Imaginative ideas and advanced technologies are employed to overcome some of our toughest problems.

01

cover rationale

continuous momentum

We have focused on consolidating our operations and growing our core businesses.

From here on, we will continue the momentum to position the Group for future growth.



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growth 11



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corporate information

Board of directors

Dato' Wira Syed Abdul
Jabbar bin Syed Hassan

Dato' Ismail Shahudin

Tan Sri Dato' Thong Yaw Hong

Tan Sri Dato' Dr.
Abdul Khalid Sahan

Tan Sri Dato' Ir. (Dr.) Wan Abdul
Rahman bin Haji Wan Yaacob

Dato' Hilmi bin Mohd. Noor

Dato' Abdullah bin Mohd. Yusof

Datuk Ir. (Dr.) Haji Ahmad
Zaidee bin Laidin

Encik Halim bin Haji Din

Datuk Mohd Sidik Shaik Osman

Encik Feizal Ali (appointed on 24 March 2004)

Secretaries

Elina Mohamed
Muhammad Firdaus Abdullah

Registered office

10th Floor, Block B, HP Towers
No 12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel: +603 2092 5588
Fax: +603 2093 9917
Email: cosec@mmc.com.my
Website: www.mmc.com.my

Auditors

PricewaterhouseCoopers
Chartered Accountants

Share registrar

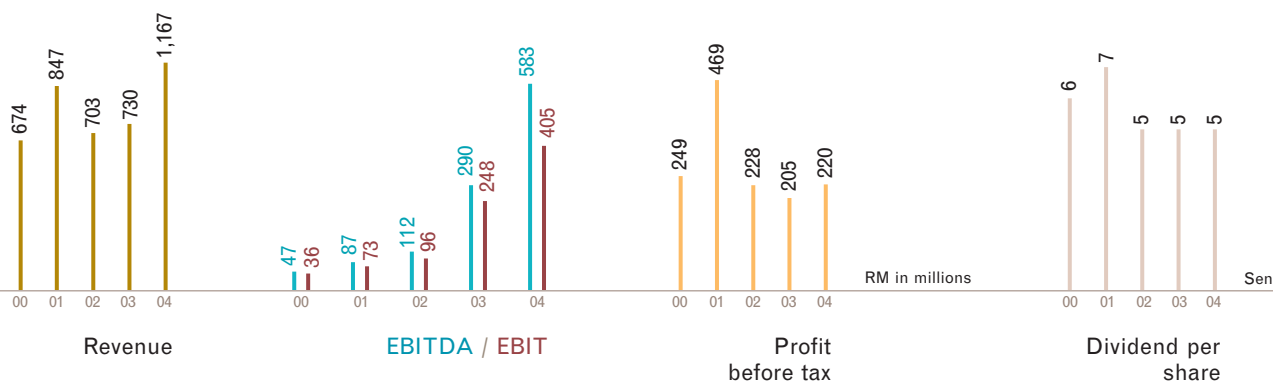
Signet Share Registration Services Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: +603 2721 2222 Fax: +603 2721 2530

Principal banker

Bumiputra-Commerce Bank Berhad

Stock exchange listing

Main Board
Malaysia Securities Exchange Board



04 5-year financial highlights

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---------|---------|---------|---------|---------|
| Profit before tax | 220.5 | 205.4 | 228.8 | 469.1 | 249.3 |
| Profit after tax and minority interest | 116.2 | 110.7 | 165.4 | 400.0 | 104.5 |
| Gross assets | 7,310.2 | 7,018.2 | 2,977.8 | 3,438.0 | 2,600.8 |
| Shareholders' funds | 3,103.9 | 3,008.8 | 2,043.4 | 1,904.2 | 1,579.7 |
| Market value of quoted investments | 2,239.8 | 1,761.1 | 1,671.2 | 1,593.1 | 1,503.3 |
| Pre-tax return on shareholders' funds (%) | 7.1 | 7.4 | 11.2 | 24.6 | 15.8 |
| Earnings per share (sen) | 10.3 | 12.9 | 19.8 | 47.8 | 12.5 |
| Dividend per share (sen) | 5.0 | 5.0 | 5.0 | 7.0 | 6.0 |
| Net asset per share (sen) | 276.2 | 349.9 | 244.0 | 228.0 | 189.0 |

RM in millions

**Dato' Wira Syed Abdul
Jabbar bin Syed Hassan**
Chairman

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, 65, was appointed non-independent, non-executive Chairman of the Company on 7 July 2000. Dato' Wira Syed Abdul Jabbar also chairs the Nomination, Remuneration and Executive Committees of the Board.

Dato' Wira Syed Abdul Jabbar was the Chief Executive Officer of the Kuala Lumpur Commodity Exchange from 1980 to 1996, the Executive Chairman of the Malaysia Monetary Exchange from 1996 to 1998 and the Executive Chairman of the Commodity and Monetary Exchange of Malaysia from 1998 to 2000.

Dato' Wira Syed Abdul Jabbar is a Malaysian citizen and holds a Bachelor of Economics degree and a Masters of Science degree in Marketing. He is also the Chairman of MARDEC Berhad and a Board member of Star Publications (Malaysia) Berhad, Malaysia Smelting Corporation Berhad and Integrated Rubber Corporation Berhad (formerly known as Berjuntai Tin Dredging Berhad).

Dato' Ismail Shahudin
Group Chief Executive

Dato' Ismail Shahudin, 53, was appointed Group Chief Executive and Executive Director of the Company on 1 August 2002. He is also a member of the Executive Committee of the Board.

Upon his graduation in 1974, Dato' Ismail joined ESSO Malaysia Berhad and served for five years in its Finance division. He joined Citibank Malaysia in 1979 and served at the bank's headquarters in New York in 1984 as part of the team in the Asia Pacific division. Upon his return to Malaysia, he was promoted to the position of Vice President & Group Head of Public Sector and Financial Institutions Group in Citibank Malaysia. In 1988, he served United Asian Bank Berhad as Deputy General Manager until 1992 when the bank was taken over by the Bank of Commerce. Subsequently, he joined Maybank as General Manager of Corporate Banking and in 1997 was appointed Executive Director of Maybank. He left Maybank in July 2002 to assume his current position at MMC.

Dato' Ismail is a Malaysian citizen and holds a Bachelor of Economics (Honours) degree from University Malaya, majoring in Business Administration. He is also Chairman of Bank Muamalat Malaysia Berhad and sits on the Boards of Malakoff Berhad, Tronoh Mines Malaysia Berhad, Malaysia Smelting Corporation Berhad, Kramat Tin Dredging Berhad and IJM Corporation Berhad.

**Tan Sri
Dato' Thong Yaw Hong**

Tan Sri Dato' Thong Yaw Hong, 74, joined the Board on 27 October 1986 and is an independent Director. He is also a member of the Audit, Nomination and Remuneration Committees and the Senior Independent Director of the Board.

Tan Sri Dato' Thong served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director General from 1971 to 1978. He was the Secretary General of the Ministry of Finance from 1979 until his retirement in 1986.

Tan Sri Dato' Thong is the Chairman of Public Bank Berhad and the Public Bank Group of companies. He is also a Board member of Batu Kawan Berhad, Berjaya Land Berhad, Gleanealy Plantations (M) Berhad, Kuala Lumpur Kepong Berhad, Public Finance Berhad, Public Merchant Bank Berhad, Malaysia Airports Holdings Berhad, HHB Holdings Berhad and Berjaya Sports Toto Berhad.

Tan Sri Dato' Thong Yaw Hong is a Malaysian citizen and graduated with a Bachelor of Arts (Honours) degree in Economics from Universiti Malaya and a Masters degree in Public Administration from Harvard University. He also attended the Advanced Management Programme at Harvard University and is a member of the Institute of Bankers (Malaysia).

05-06

profile of directors



Dato' Wira Syed Abdul
Jabbar bin Syed Hassan

Dato' Ismail
Shahudin

Tan Sri Dato'
Thong Yaw Hong

Tan Sri Dato' Dr. Abdul Khalid Sahan

Tan Sri Dato' Dr. Abdul Khalid Sahan, 70, joined the Board on 10 March 1989 as a non-independent, non-executive Director. He is also a member of the Executive Committee of the Board.

Tan Sri Dato' Dr. Abdul Khalid was a former Director General of the Health Ministry. He is the Chairman of Tronoh Mines Malaysia Berhad and Rating Agency Malaysia Berhad and a Board member of Daibochi Plastic & Packaging Industry Berhad and Kejora Harta Berhad.

Tan Sri Dato' Dr. Abdul Khalid is a Malaysian citizen and holds a M.B.B.S. (Malaya), D.P.H. (London) and D.I.H. (England). He is also a member of the Malaysian Medical Association.

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob, 63, joined the Board on 26 August 1999 as a non-independent, non-executive Director.

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman served in the Public Works Department since 1964 and became its Director General from 1990 until his retirement in 1996.

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman is also the Chairman of IJM Corporation Berhad and a Board member of Lingkaran Trans Kota Holdings Berhad, Lysaght Galvanised Steel Berhad, Malaysian International Development Finance Berhad, Saujana Consolidated Berhad, Sime UEP Properties Bhd and Northport Corporation Berhad.

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman is a Malaysian citizen and holds a Diploma in Civil & Structural Engineering from the Brighton College of Technology, United Kingdom and is a Fellow of the Chartered Institute of Buildings (U.K.), Institute of Highways & Transportation (U.K.), Institute of Civil Engineers (UK) and the Institution of Engineers, Malaysia.

Dato' Hilmi bin Mohd. Noor

Dato' Hilmi bin Mohd. Noor, 62, joined the Board on 10 October 2000 as a non-independent, non-executive Director. Dato' Hilmi is also a member of the Remuneration and Executive Committees of the Board.

Dato' Hilmi was a former Secretary General of the Ministry of Energy & Multimedia. He is also the Chairman of Kramat Tin Dredging Berhad and a Board member of CN Asia Berhad, Johor Port Berhad and Crimson Land Berhad.

Dato' Hilmi is a Malaysian citizen and holds a Masters degree in Business Administration from Marshall University, U.S.A. and is a member of the Chartered Institute of Purchasing and Supply.

Dato' Abdullah bin Mohd. Yusof

Dato' Abdullah bin Mohd. Yusof, 65, joined the Board as an independent Director on 31 October 2001. He is also a member of the Audit and Nomination Committees of the Board.

Dato' Abdullah is a partner in the legal firm of Abdullah & Zainuddin. He is also the Chairman of Jaya Jusco Stores Berhad and a Board member of Pernas International Holdings Berhad and Tronoh Mines Malaysia Berhad.

Dato' Abdullah is a Malaysian citizen and holds a LLB (Honours) degree from the University of Singapore.

07-08

**profile of
directors**
continued



Tan Sri Dato' Ir.
(Dr.) Wan Abdul
Rahman bin Haji
Wan Yaacob

Dato'
Abdullah bin
Mohd. Yusof

Tan Sri Dato' Dr. Abdul
Khalid Sahan

Dato' Hilmi
bin Mohd. Noor

Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin

Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin, 61, was appointed a non-independent, non-executive Director on 1 August 2002 and is now an independent Director.

Datuk Ir. (Dr.) Haji Ahmad Zaidee served in the National Electricity Board since 1967 and became its Director of Management Services and Development in 1998 and Deputy General Manager, Corporate Services from 1990 to 1993. He was made a Director of ITM in 1994 and became its first Rector in 1996. He was appointed the first Vice Chancellor of UiTM in 1999.

Datuk Ir. (Dr.) Haji Ahmad Zaidee is also the Chairman of SIRIM Berhad and a Board member of Edaran Otomobil Nasional Berhad.

Datuk Ir. (Dr.) Haji Ahmad Zaidee is a Malaysian citizen and holds a Diploma (Professional) in Electrical Engineering from Brighton College of Technology (now known as University of Brighton) and a Masters of Science degree in Technological Economics from University of Stirling. He was made a Doctor of University by University of Stirling and was conferred an Honorary Doctor of Technology by Oxford Brookes University, an Honorary Doctor of Letters by Manchester Metropolitan University, and an Honorary Professorship by Napier University. He is a Fellow of the Institution of Engineers, Malaysia and the Academy of Sciences, Malaysia.

Datuk Mohd Sidik Shaik Osman

Datuk Mohd Sidik Shaik Osman, 55, was appointed to the Board as a non-independent, non-executive Director on 23 January 2003.

Datuk Mohd Sidik was a former Deputy Director General in the Prime Minister's Department and the current Chief Executive Officer of Pelabuhan Tanjung Pelepas Sdn Bhd. He is also a Board member of Johor Port Berhad.

Datuk Mohd Sidik is a Malaysian citizen and holds a Master of Science (Maritime) degree from World Maritime University, Sweden and a Bachelor of Science (Honours) (Econs) degree from University of Science, Malaysia.

Encik Halim bin Haji Din

Encik Halim bin Haji Din, 58, was appointed to the Board as an independent Director on 10 September 2002. He is also the Chairman of the Audit Committee of the Board.

Encik Halim was a former partner in charge of the Management Consulting Division of Ernst & Young. He is also a Board member of SCB Berhad and Wah Seong Corporation Berhad.

Encik Halim is a Malaysian citizen and a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Encik Feizal Ali

Encik Feizal Ali, 43, was appointed to the Board on 24 March 2004.

Encik Feizal joined the Company as the Special Advisor to the Chairman in September 2001 and in December 2001 assumed the post of Group Chief Financial Officer. He is currently the Group Chief Operating Officer of MMC. Prior to joining MMC, he was the Finance Vice President of Commerce Dot Com Sdn Bhd (1999-2001), Chief Financial Officer of Pelabuhan Tanjung Pelepas Sdn Bhd (1996-1999) and Finance General Manager of Prolink Development Sdn Bhd (1994-1996).

Encik Feizal started his career in Accounting and Finance in the US banking industry (1985-1989) and subsequently worked in the Middle East for five years (1989-1994).

Encik Feizal is a permanent resident of Malaysia. He graduated with a Bachelors degree in Accounting from Menlo College, California, a Bachelor in Commerce degree from the University of Kerala and a Masters degree in Business Administration (Finance) from the University of Santa Clara, California.

09-10

**profile of
directors**
continued



Encik Halim
bin Haji Din

Datuk Mohd
Sidik Shaik
Osman

Datuk Ir. (Dr.)
Haji Ahmad
Zaidee bin Laidin

Encik
Feizal Ali

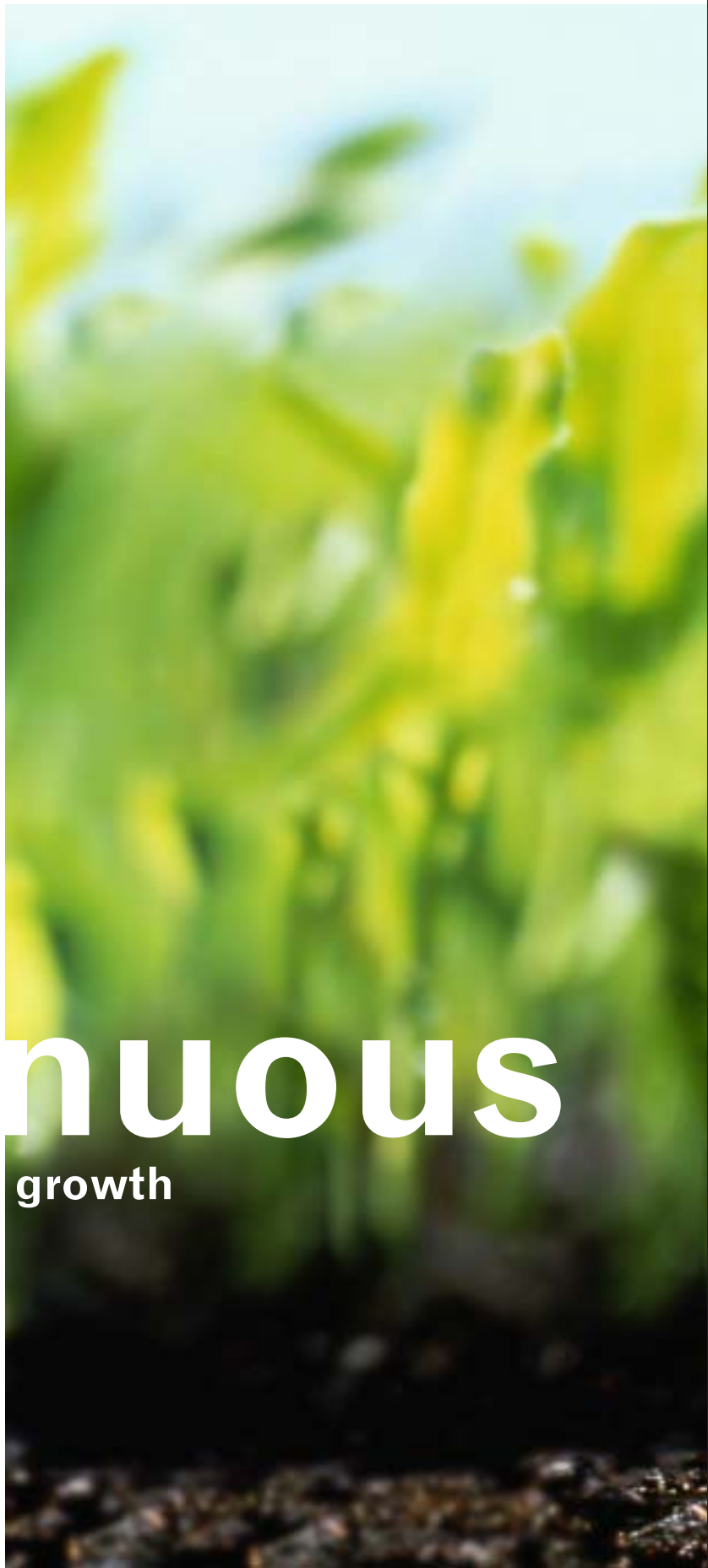
Continuity is rare
in a world of change.

The continuous growth of MMC
has cut a path to realising value
for our shareholders.

We continue to enhance
our growth potential by
focusing on being a leader in
every industry we operate.

11-12

continuous growth





13-14
**management
team**

centre

Dato' Ismail Shahudin
Group Chief Executive

from left to right

Feizal Ali
Group Chief Operating Officer

Azlan Shahrin
General Manager,
Corporate Communications
& Investor Relations

Mabel Lee Khuan Eoi
General Manager,
Corporate Planning

**Ir. Wan Azman
Wan Salleh**
Head of Engineering
& Construction

Zafer Hashim
General Manager,
Special Projects

Elina Mohamed
Group Company Secretary
& Legal Advisor







Dear Stakeholders,

Over the last year we continued our efforts on consolidating our operations and building a company that would deliver value for our shareholders. Today, we are completely focused on our strategic aspiration to become a premier company in the three core businesses we have chosen to compete.

We have embarked on a stream of strategic initiatives to position the Group for future growth within our core businesses. These initiatives not only drive growth and reduce costs, but also more importantly, prepare us to face future challenges with confidence.

15-16

chairman's letter

to stakeholders

Diverse Portfolio of Leading Businesses

Our businesses are number one in their fields. Only four years after commencing operations, Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") has grown to become the largest container terminal in the country and the fastest growing port in South East Asia, ranking among the top 20 ports in the world.

Malakoff Berhad is the largest independent power producer in the country, a position it will reinforce in 2006 when the 2100 MW Tanjung Bin power plant comes on stream. Gas Malaysia Sdn Bhd is the sole supplier of natural gas to the non-power sector in the country and is experiencing a sharp increase in the demand for natural gas under current tariffs.

We continue to expand our Engineering & Construction Division. Tronoh Mines Malaysia Berhad's acquisition of the entire stake in Zelan Holdings (M) Sdn Bhd and 18.8% of IJM Corporation Berhad, makes the company a major player in the construction industry, and gives us access to strategic overseas markets. The Stormwater Management and Road Tunnel (SMART) project, which will alleviate much of Kuala Lumpur city's flooding problems, is well underway. This project, a unique Malaysian innovation, is undertaken on a strategic partnering approach.

Initiatives that Improve Operations and Save Costs

Over the course of last year, we focused on initiatives that helped us manage profitably by improving our operations and internal processes and reducing costs. Some of these initiatives are as follows:

- We took MMC Engineering Group Berhad private and rationalised the various engineering companies according to their core competencies, forming two growth platforms. Overall, these platforms will become an effective mechanism for identifying and capturing opportunities in key growth markets.
- We outsourced our internal audit function to Ernst & Young, allowing the Company to benefit from wider skills and global best practices. We will achieve cost savings of about RM2 million over the next 3 years from this initiative.
- We initiated a Shared Services programme, which allows businesses within the Group to share common resources provided by the corporate headquarters. We also realigned the organisation structure, improving work processes and allowing our employees to work more effectively.

FINANCIAL RESULTS

Revenue grew 60% to RM1.1 billion from RM730 million. This is principally attributed by the full year's consolidation of the revenue of PTP and the revenue from the SMART project, which is progressing ahead of schedule.

Profit before tax grew 7.3% to RM220 million, due to improved contributions from all divisions, offset by higher interest charges and goodwill amortisation from the PTP acquisition.

The Board has recommended a final dividend of 5 sen per share, on par with last year's distribution. This marks the 5th consecutive fiscal year of consistent dividend payments.

The financial reports and the Management's Discussion & Analysis section further along in this annual report will provide a detailed discussion about those matters that are significant to the Group, and I would encourage you to review them.

17-18

**chairman's
letter**
to stakeholders continued

A NEW SHAREHOLDER

Following his acquisition of Indra Cita Sdn Bhd in November last year, Tan Sri Syed Mokhtar AlBukhary now owns 40.09% of MMC, making him MMC's single largest shareholder.

Tan Sri Syed Mokhtar is the Executive Chairman and Founder of the AlBukhary Foundation. The AlBukhary Foundation believes in sustaining a balance between commercial profits and contributions to society. Three of its commercial activities - Transport & Logistics, Energy & Utilities, and Engineering & Construction - are represented by MMC. The Foundation also supports numerous charitable, educational and social projects as part of its contribution to society. These include the Islamic Arts Museum, the first museum in this region wholly dedicated to the art and culture of Islam, and the AlBukhary Complex in Alor Setar, an integrated complex containing a mosque, an orphanage, an academy for the aged, a hospital and an institute of higher learning.

CORPORATE GOVERNANCE

We received the KLSE Corporate Sectoral Award 2003 for the Mining sector. We are indeed proud of this achievement, as it gives credence to our commitment to good corporate governance. Sound principles of corporate

governance are critical to obtaining and retaining the trust of our stakeholders and to our goal of performance with integrity. We will continue to ensure sufficient disclosure so that investors and others can assess the Company's performance and governance practices, and can respond in an informed manner. MMC's reclassification from the "Mining" sector to the "Trading / Services" sector in July 2003 better reflects our business activities. We will continuously raise our standards in upholding our commitment to good corporate governance.

SOCIAL RESPONSIBILITY

Our culture extends beyond business. With success comes the obligation to do what is right for all of our stakeholders and we believe in giving back to the communities in which we operate. You will find an overview of our activities in this area in the Corporate Social Responsibility Report further along in this annual report.

POSITIONED FOR THE FUTURE

The economic indicators signal that the global economy is recovering and will achieve stronger growth. The challenge for us is to strengthen and enhance our core businesses, given the favourable forecast for the Malaysian economy and expectations of gross domestic product growing between 5.5% to 6% in 2004.

While we have achieved some success, a great deal of work lies ahead. We will continue our work to grow the Company to further enhance value for our shareholders.

We will achieve that by continuing to attract, develop and retain the most talented people available, and by fostering a culture that allows employees to develop their potential to the fullest as they work as a team.

A WORD OF THANKS

My sincere appreciation goes to my fellow directors for their guidance and counsel. I wish to also thank our shareholders, customers, bankers and business associates for their continued support and confidence.

I wish to thank Tan Sri Dato' Dr. Abdul Khalid Sahan, who will not be seeking re-election to the Board this year, for his contribution to the Board since he joined in 1989. We also welcome Encik Feizal Ali, who joined the Board on 24 March 2004 upon his appointment as Group Chief Operating Officer.

I want to close with a special thanks to our employees. It is through your efforts that we succeed as a Group, and it is because of you that I am optimistic about the future.

Sincerely yours,



Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

6 April 2004



A photograph of several dandelion seeds floating against a clear blue sky. The seeds are dark with white, feathery parachutes. The image is used as a background for the left half of the page.

continuous

opportunities

19-20

Strategic partnerships
with leading companies
have created continuous
opportunities for our
businesses to become
number one in their fields.



OVERVIEW

We have consolidated our operations and are continuing our focus on building our core businesses. As part of this consolidation exercise, we took MMC Engineering Group Berhad private and rationalised Group operations into three core businesses: Transport & Logistics, Energy & Utilities, and Engineering & Construction. This new organisation structure will support and set the stage for more robust growth in the current year and beyond.

MMC

Transport & Logistics

50.1% **Pelabuhan Tanjung Pelepas**
container port and logistics hub

100% **Konsortium Lebu Raya Butterworth-Kulim**
toll road operator

Railway

75.8% **MMC Metal Industries**
transport engineering

Energy & Utilities

22.5% **Malakoff**
power generation

41.8% **Gas Malaysia**
natural gas distribution

Oil & Gas

99.9% **MMC Oil & Gas**
design engineering services

69.9% **Tepat Teknik**
steel fabrication works

Engineering & Construction

99.9% **MMC Engineering & Construction Unit**
 • MMC Engineering Services
 • MMC Engineering & Construction
 • MMC-GTM
engineering services

39.2% **Tronoh**

18.8% **IJM**
major infrastructure works

100% **Zelan**
power plant construction

Others

38.2% **Malaysia Smelting Corporation**
tin smelting

28.6% **Integrated Rubber Corporation**
manufacturing and trading of rubber gloves

52.9% **Kramat Tin Dredging**
refocusing business

66.1% **Seginiaga Rubber Industries**
weather strip manufacturing

29.9% **MMC Defence**
 (pending completion)
defence contracting

19.9% **MMC Metrail**

- Listed Company
- Non-Listed Company
- % (Percentage figure denotes Group's interest)

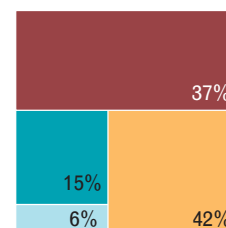
The Transport & Logistics Division will focus on our port operations and toll road operations. The Energy & Utilities Division will comprise our interests in power generation and natural gas distribution. Our companies in design engineering services for the oil & gas sector and steel fabrication works will provide support services for the Energy & Utilities Division. The Engineering & Construction Division will focus on our engineering, procurement and construction capabilities in oil & gas projects, power plants and major infrastructure and civil works, both locally and abroad.

23-24

MD & A

continued

Revenue contribution by division



transport & logistics

energy & utilities

engineering & construction

others

consolidated operations

Our revenue has surpassed the billion-ringgit mark climbing to a record RM1.1 billion, an increase of 60% over the previous period. This is driven by a sharp increase in revenue from the Transport & Logistics Division, attributed by the full year's consolidation of the revenue of PTP; and a significant increase in revenue from the Engineering & Construction Division, contributed by the commencement of the SMART project. The revenue from the Energy & Utilities Division remained relatively flat as expected, due to the reduced natural gas prices for Gas Malaysia under the new tariff structure, although in terms of volume, there was a marked increase.

Group EBITDA doubled to RM583 million from RM290 million during the previous year mainly due to the recognition of PTP's full year results and recognition of the maiden profit from the SMART project.

Profit before tax grew 7.3% to RM220 million with improved contributions from all divisions, despite the

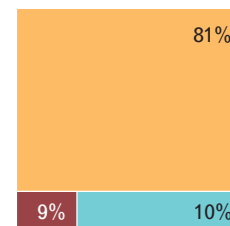
higher debt servicing and amortisation of goodwill arising from the PTP acquisition. Net profit increased by 5% to RM116 million over the previous year. Earnings per share was 10.3 sen, 20% lower compared to the previous year, due to a larger weighted average share base of 1,123.7 million compared to 859.9 million the previous year.

Our total gross assets stand at RM7.3 billion and total shareholders' funds stand at RM3.1 billion.

Liquidity

Our objective in liquidity management is to ensure that there is sufficient liquidity to meet our obligations and to take advantage of investment opportunities as they arise. The Group ended the year with RM251 million in cash and marketable securities. Our subsidiaries are self-sufficient in their operational funding requirements. With our portfolio of non-core assets and ready access to capital markets, we have financial flexibility in funding the future growth of our businesses.

Profit contribution by division



transport & logistics ■
energy & utilities ■
engineering & construction ■

*Note:
The main contributor to the Energy
& Utilities Division was Malakoff
which, being an associate, does not
contribute to the Group's revenue*

Borrowings

The Group's borrowings increased by 10.6% to RM3.4 billion and our net debt-to-equity ratio was 1.1 times. Out of the total debt, RM2 billion is PTP's debt which is project financing and is non-recourse to the holding company. The balance of RM1.4 billion in debt emanates principally from the debt of RM1 billion at the holding company. Our gearing will be reduced as we pare down our debts with the proceeds from the sale of non-core assets.

Goodwill

The Group continued with its policy of amortising goodwill from the acquisition of subsidiaries using a straight-line method over its useful life. In respect of associates, the carrying amount of goodwill is included in the amount of investments in associates and impairment loss is recognised only when there is a diminution in their value, which is other than temporary.

We have consolidated PTP's full-year results for the first time, and goodwill arising from the acquisition of PTP is being amortised, resulting in an annual charge of RM34.9 million in the Income Statement, beginning this financial year.

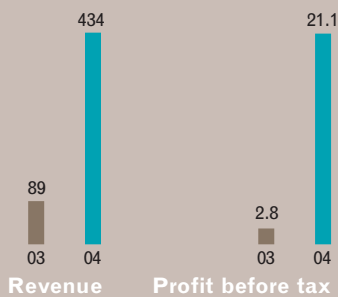
Prospects

Barring unforeseen circumstances, we expect to report better results next year, due to higher contributions from the SMART project. IJM and Zelan will also contribute positively to the Group. PTP will continue to show progress and should sustain its growth with the increase in the level of containerisation and world trade. The Energy & Utilities Division will continue to contribute stable cash flows and earnings, with Malakoff continuing to be the major earnings contributor in the immediate future, while Gas Malaysia will see accelerated growth in the volume of gas sold with new customer acquisitions.

segment operations



transport & logistics



The Transport & Logistics Division contributed RM434 million to Group revenue, a significant increase over the previous year, due to the consolidation of PTP's full-year results. Profit before tax for this division was RM21.1 million, which compares with RM2.8 million for the previous year. This is attributed to PTP's maiden profit, four years after commencing operations, and a higher contribution from KLBK.

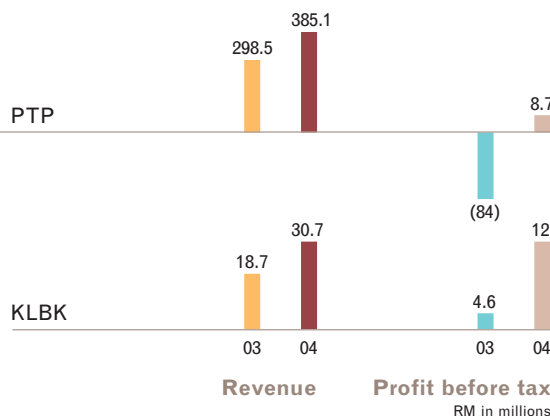


Port Operations

We consolidated PTP's full year results compared with PTP's one-month results the previous year. PTP's revenue grew by 29% to RM385.1 million over the previous year. Profit before tax was RM8.7 million, compared to a loss of RM84 million the previous year. This is attributed mainly by an increase in revenue and interest savings of RM33.9 million on the redeemable convertible subordinated loan ("RCSL"). PTP's shareholders continued to provide support by converting their respective portions of the RM150 million RCSL into equity to place the company on a better footing.

Container throughput in 2003 rose to 3.5 million TEUs, a 30% increase over the previous year, solidifying PTP's position as Malaysia's top container terminal. Gross crane productivity, ranked among the world's best, improved by 3% to 32 moves per hour.

PTP is fast moving to respond to a more challenging business environment. Phase 2 of PTP, due to be completed in the third quarter of this year, will enable the port to handle 6 million TEUs annually and strengthen its capabilities to deliver greater value to its customers. The port will continue to target aggressive growth from the expected increase in world



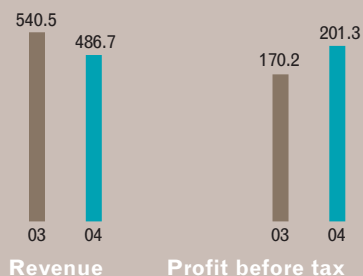
containerisation and trade. With its world-class infrastructure and efficiency, excellent connectivity and competitive rates, PTP is well positioned to become a premier transshipment hub in South East Asia and to drive the Group's long-term earnings growth.

Toll Road Operations

Traffic volume on the Butterworth-Kulim Expressway grew by 7.4% to 17.5 million vehicles, recording steady growth over the previous year. KLBK registered a higher profit before tax of RM12 million compared to the previous year, principally attributed by traffic growth and a net toll compensation of RM8.6 million for not increasing toll rates for the last two years, as provided for in the Concession Agreement.



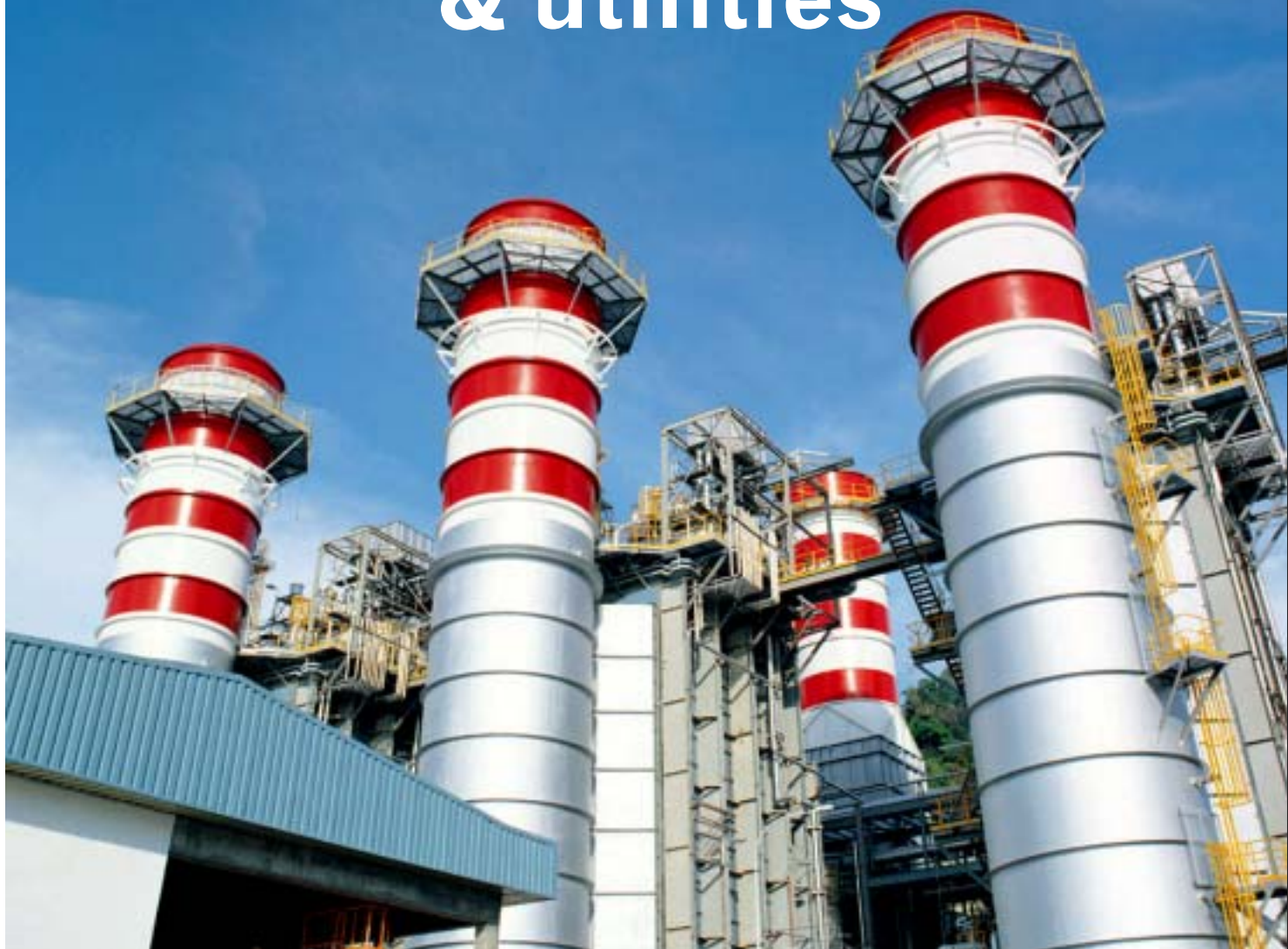
KLBK is the concessionaire for the 17-km Butterworth-Kulim Expressway, which forms part of the new East-West route linking Penang to Kelantan



The Energy & Utilities Division contributed RM486.7 million to Group revenue, a 10% decrease over the previous year. This is principally due to the lower natural gas pricing for Gas Malaysia as the new tariff structure took effect, although in terms of volume of gas sold, there was a marked increase. Profit before tax for the Energy & Utilities Division increased by 18% to RM201.3 million over the previous year. This division continues to contribute stable cash flows and earnings to the Group, and we expect Malakoff to remain as the key earnings contributor in the short term. Gas Malaysia will also contribute positively to the Group.

energy & utilities (RM in millions)

energy & utilities



Power Generation

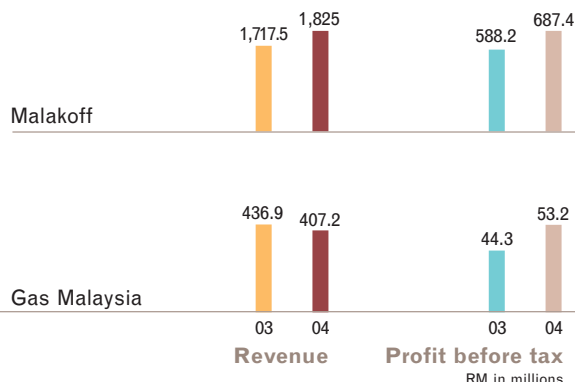
Malakoff continues to be our primary earnings driver, accounting for 65% of the Group's profit. The company's net profit grew by almost 25% to RM441.8 million from the previous year and earnings per share grew by 22.8% to 51.1 sen. Compared to the previous year, the company's improved results are mainly driven by the full-year operation of GB3 Sdn Bhd.

Malakoff continues to reinforce its position as the nation's leading independent power producer ("IPP") through synergistic acquisitions. The company increased its effective generation capacity to 1,895MW, when it acquired Prai Power Sdn Bhd, owner of the 350MW combined cycle gas turbine Prai power plant. The company's effective generation capacity will further increase by 58% to 3,000MW when it completes its acquisition of a 40% stake in the 2,420MW coal-fired Kapar Power Station. Malakoff is also constructing the 2,100MW coal-fired Tanjung Bin power plant, which will further boost its effective generation capacity to 4,753MW when the power plant comes on stream in 2006.

Malakoff is expected to experience sustainable growth, with the demand for electricity on the uptrend. The company should continue to achieve satisfactory results, and to provide MMC with a steady income stream in the coming years.

Natural Gas Distribution

Gas Malaysia's profit before tax grew by 21% to RM53.2 million attributed by an increase in sales volume of 15% and a decrease in operating expenditure of 9%. However, revenue dropped by 17.5% to RM407.2 million



as a result of the lower tariffs for natural gas under the new tariff structure.

The revision in the tariff structure has made natural gas the most attractive source of energy to consumers. Leveraging on this advantage, the company has moved away from the traditional

strategy of being demand-driven to that of being supply-driven. This approach shortens the lead-time to supply natural gas to consumers and, with the cheaper rates, makes it easier to encourage consumers to use natural gas. This strategy has resulted in a record 24% increase in new industrial customers during the last year, and this trend is expected to continue in the coming years.

The company added 197 km of new pipelines to its network last year, which represents a 31% growth over the previous year. The company plans to invest RM200 million annually as part of its expansion plan.

With natural gas positioned as a more affordable energy solution compared to competing fuels, the stage is set for continuing growth opportunities in this sector and we can look forward to an increasing contribution from Gas Malaysia in the coming years.



Oil & Gas

MMC Oil & Gas Engineering Sdn Bhd recorded a revenue of RM29.4 million, 21% less than the previous year due to strong competitive factors and the deferment of certain projects by its clients.

The company retained its position and market share in design engineering services for the oil & gas sector, securing new projects from traditional clients - Petronas Carigali, Sarawak Shell, ExxonMobil - and winning contracts from new clients, like Murphy Oil and PTSC of Vietnam.

Following efforts to market its engineering expertise regionally, MMC Oil & Gas is expected to make further inroads overseas to export its engineering design solutions to the oil & gas sector in targeted countries.

Steel Fabrication

The past year has been challenging as Tepat Teknik Sdn Bhd's revenue dropped by 24.5% to RM50.1 million from the previous year.

Revenue came mainly from traditional business sectors, such as oil & gas, power generation and petrochemicals. These include the fabrication and installation of heat recovery steam generators in Indonesia, and the fabrication of gas turbine exhaust bypass stacks in Cairo, Egypt and Port Dickson. The

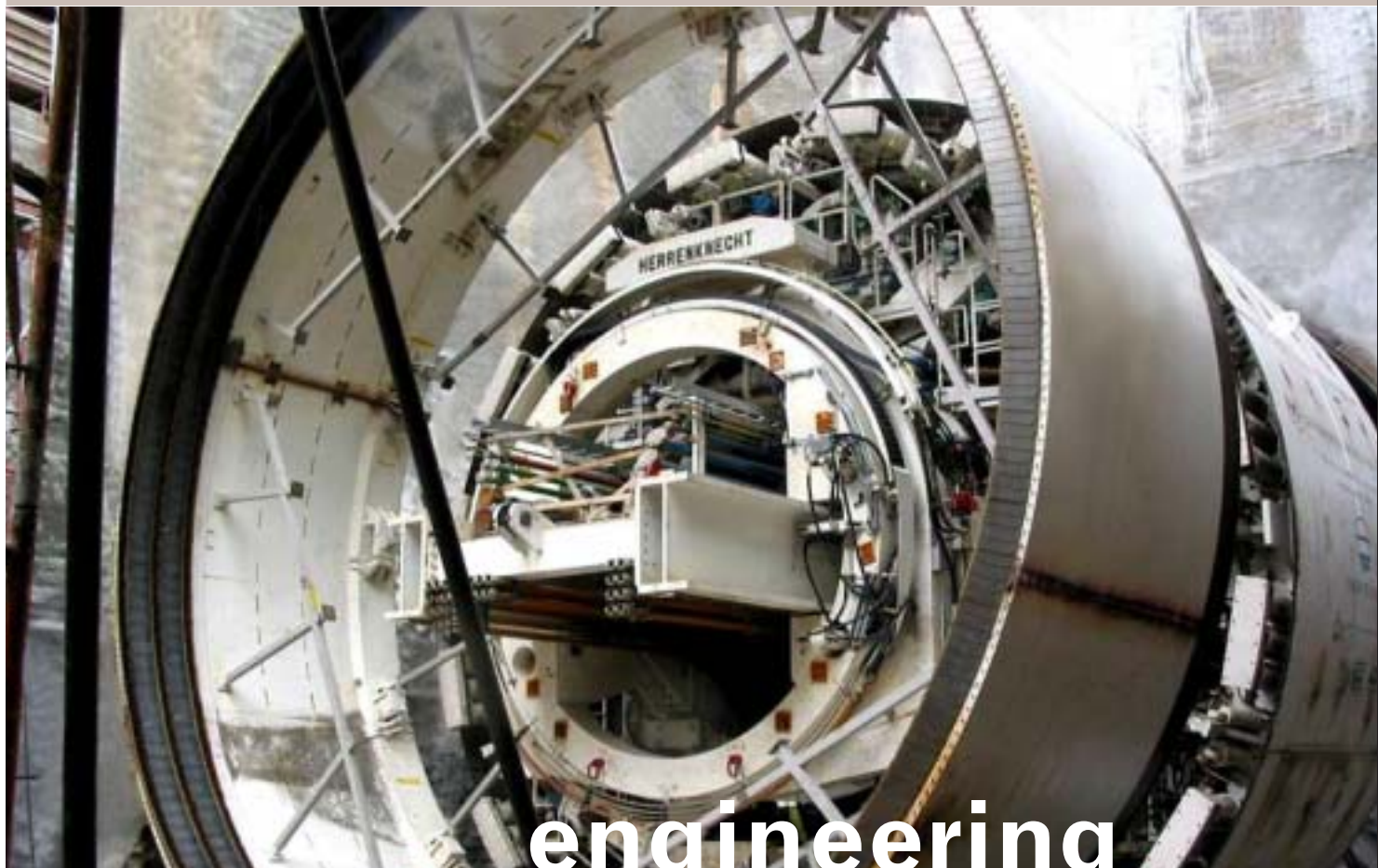
company also undertook the fabrication of the gantry structure for the tunnel boring machines for the SMART project.

To keep its competitive edge, Tepat Teknik will continue to form strategic business alliances with foreign technology-based partners to develop new business areas and provide higher-value products. The company will also seek opportunities in the power and infrastructure sectors and technology-driven projects.

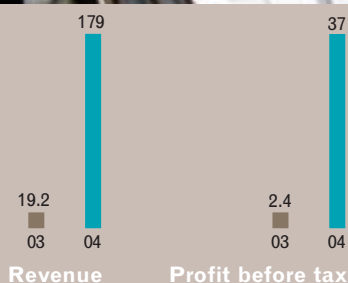


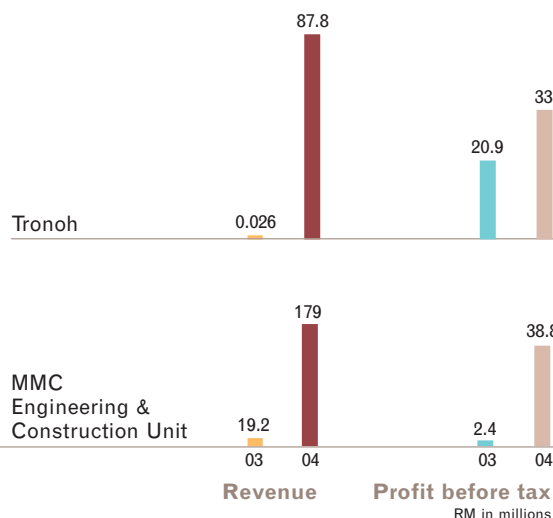
With the completion of the rationalisation of our engineering companies, all engineering and construction works will now be undertaken by MMC Engineering Services Sdn Bhd within MMC, and Zelan and IJM via Tronoh, each focusing on their core competencies. Zelan will focus on power plant construction and other related activities while IJM will undertake major infrastructure works and property development. IJM is also active in overseas markets especially in India and the Middle East. The MMC Engineering & Construction Unit, which is undertaking the SMART project, will focus on the oil & gas sector.

Revenue from the Engineering & Construction Division grew to RM179 million from RM19.2 million over the previous year, and profit before tax increased to RM37 million from RM2.4 million. The improved results were principally attributed to the commencement of the SMART project.



engineering & construction





Power Plant and Infrastructure

Tronoh's profit before tax grew 58% to RM33 million, principally due to the consolidation of Zelan's two-month profit of RM12.1 million, Tronoh's share of IJM's three-month profit of RM9.2 million and a foreign exchange gain of RM2.5 million.

Tronoh's acquisition of the entire stake in Zelan and 18.8% of IJM, makes the company a major player in the construction industry, and gives it access to strategic overseas markets. Zelan is a turnkey 'design & build' civil contractor for power plants and will provide support services to Malakoff and other business units within the Group. IJM is a leading player in the construction sector especially for major infrastructure works, with an excellent track record in both the local and international markets.

We expect Tronoh to register better results in the coming

year, due to the full year consolidation of Zelan and IJM's results.

MMC Engineering & Construction Unit

Within MMC, our engineering & construction unit registered a higher revenue of RM179 million and profit before tax of RM38.8 million due to the maiden profit contribution of RM24.5 million from the SMART project.

Apart from the SMART project, this unit has been principally involved with the PTP wharf structure project and the engineering, procurement, construction and commissioning of the natural gas distribution system contract for Gas Malaysia.

This unit is building its order book by pursuing civil engineering works particularly in the oil & gas sector and construction of transmission lines. It will also tap opportunities within the Group.



other businesses



The main contribution came from Malaysia Smelting Corporation Berhad ("MSC"), which achieved a record profit before tax of RM52.3 million, an increase of 32% over last year, driven by higher tin prices. Basic earnings per share grew by 18% to 37.4 sen. Revenue increased by almost 9% to RM783 million.

MSC, which owns Indonesia-based PT Koba Tin, one of the world's largest tin mining companies, is expected to post better earnings this year as tin prices continue to rise. Tin prices shot past US\$8,000 a tonne recently, compared to an average price of below US\$5,000 a tonne last year.

Seginiaga Rubber Industries Sdn Bhd recorded a revenue of RM24.6 million, 34% less than the previous year. The company's performance reflected the general slow down of the automotive market, including the drop in the sale of Proton cars, and an increasingly competitive market. The company is working to diversify into other related areas to minimise its dependence on the automotive market.

Integrated Rubber Corporation Berhad (formerly known as Berjuntai Tin Dredging Berhad) undertook a restructuring scheme to regularise its financial position, and will focus on its new core business of manufacturing and trading of examination gloves. We expect the restructuring scheme to be completed this year.

Our other listed company, Kramat Tin Dredging Berhad, is currently under restructuring and is expected to identify suitable business opportunities that would contribute to its future growth.

We continued to dispose of non-core assets. We initiated this exercise by reducing our stake in MMC Defence Sdn Bhd to 30%, through a strategic sale of our 70% stake. This sale is consistent with our strategy to focus the Engineering & Construction Division on core segments and markets we intend to grow rapidly.

Continuing the Momentum

We will continue to build our presence in industries where we can lead, leveraging on our diversity to enable us to prosper under challenging market conditions. We will be driven by our focus on growth, supported by the organisation structure we have in place. We will continue the momentum to create more value for our shareholders.



Dato' Ismail Shahudin
Group Chief Executive

Kuala Lumpur
6 April 2004

highlights of the year

February

20

MMC Oil & Gas received the ISO 9001:2000 certification for its Quality Management System applicable to engineering design services for both onshore and offshore in the oil & gas and petrochemical industries from SIRIM QAS

22

Minister of Energy, Communications and Multimedia, YB Datuk Amar Leo Moggie, officiated the commemoration of GB3's 640MW CCGT power plant completion



20-27

April

MMC participated in Minggu Saham Amanah Malaysia 2003 organised by PNB

August

7 A Long Service Award presentation ceremony was held to honour 7 long-serving employees

29 GB3 became Malakoff's 75% subsidiary when a Shareholders' Agreement was signed between Malakoff, TNB, EPF and GB3

September

29 "Mahathir - The Series", was launched by YAB Tun Dr. Siti Hasmah Mohd Ali. MMC was a sponsor of this television series

30 Tronoh Mines completed the acquisition of IJM

30 Sept - 5 Oct

MMC Defence participated in LIMA 2003 in Langkawi



18 November

MMC's "Majlis Berbuka Puasa" was held at the Islamic Arts Museum



December

BMW Group Malaysia held the groundbreaking ceremony of its new Regional Parts Distribution Centre at PTP, which will serve 19 markets in the Asia Pacific region

10





May

5

KLBK signed a Service Agreement with Rangkaian Segar to implement Touch 'n Go services at its 17-km expressway

July

18

MMC held its 27th AGM at KLGCC



October



2

A delegation from Jabatan Pengairan dan Saliran Malaysia visited the SMART site office at Jalan Sungei Besi



13

PTP received the ISO 9001:2000 certification for its Quality Management System applicable to the provision of port services for terminal operations, marine services and free zone services from Lloyd's Registrar Quality Assurance

23

MMC Oil & Gas received the 2003 Enterprise Award from SMIDEC, presented by former Minister of Trade and Consumers Affairs, YB Tan Sri Muhyiddin Yasin to Shahrel Shafiei, MMC Oil & Gas CEO

12 Tronoh Mines completed the acquisition of Zelan

23 Gas Malaysia officially opened its branch office in Putrajaya

January

1

PTP handled 3.5 million TEUs in 2003, strengthening its position as Malaysia's number one container terminal for the second year in a row

19

MMC's new website went live incorporating new features to provide quality and timely information to stakeholders

February

13

MMC received the KLSE Corporate Sectoral Award 2003 for the Mining sector



37-38

continuous development

An important aspect of corporate growth is the continuous education and enhancement of human capital.

At MMC, we value employees who are committed to excellence in whatever they do and we foster a culture that allows employees to develop their potential to the fullest.





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**audit
committee
report**



Encik Halim
bin Haji Din
Chairman

Dato'
Abdullah bin
Mohd. Yusof

Tan Sri Dato'
Thong Yaw Hong

The Audit Committee comprises the following members, all of whom are independent Directors:

- Encik Halim bin Haji Din, Chairman
- Tan Sri Dato' Thong Yaw Hong
- Dato' Abdullah bin Mohd. Yusof

Meetings

Audit Committee meetings are held not less than four times a year and, in addition to members of the Committee, will normally be attended by the Group Chief Executive, Group Chief Financial Officer, Group Internal Auditor and by invitation, the external auditors' representatives. Other members of the Board and senior management also attend some of these meetings at the invitation of the Committee. At least one meeting is held each year with the external auditors in the absence of management. The auditors, both internal and external, may request a meeting if they consider that one is necessary.

The Secretary of the Audit Committee shall be one of the Company Secretaries. Minutes of each meeting shall be distributed to each member of the Board, and the Chairman shall report on each meeting to the Board.

The Audit Committee held six meetings during the financial year, attended by all three of its members. The external auditors attended four of these meetings. The newly appointed internal auditors, Messrs Ernst & Young, gave a presentation to the Audit Committee on the 3-Year Audit Plan at the meeting held on 21 January 2004.

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- The authority to investigate any matters within its terms of reference;
- The resources which are required to perform its duties;
- Full, free and unrestricted access to any information, records, properties and personnel of the Company and any other companies within the Group;
- Direct communication channels with the external auditors and person(s) carrying out the Internal Audit function or activity (if any);
- The ability to obtain independent professional or any other advice; and
- The ability to convene meetings with the external auditors.

Duties and Terms of Reference

- i Consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal, and inquire into staffing and competence of the external auditors in performing their work.
- ii Discuss the nature and scope of the audit in general terms and any significant problems that may be foreseen by the external auditors before the audit commences and ensure that adequate tests to verify the accounts and procedures of the Group are performed.
- iii Discuss the impact of any proposed changes in accounting principles on future financial statements.
- iv Review the results and findings of the audit and monitor the implementation of any recommendations made therein.
- v Review the quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumptions;
 - compliance with accounting standards; and
 - compliance with the stock exchange and legal requirements.
- vi Discuss problems and reservations arising from the interim and final audits, and any other matter the auditors may wish to discuss (in the absence of management where necessary).
- vii Ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Group.
- viii Review the internal audit programme, consider the major findings of Internal Audit investigations and management's response and ensure co-ordination between the internal and external auditors.
- ix Keep under review the effectiveness of internal control systems and, in particular, review the external auditor's management letter and management's response.
- x Consider any related party transactions that may arise within the Company or Group.

- xi Carry out such other assignments as defined by the Board.
- xii Report promptly to MSEB on any matters reported by MSEB to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the MSEB Listing Requirements.
- xiii Where the review of audit reports of subsidiaries and any related entity also falls under the jurisdiction of the Audit Committee, all the abovementioned functions shall be performed by the Audit Committee in co-ordination with the Board of Directors of the subsidiaries and related entities.
- xiv Review arrangements established by management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group's operations.

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audit committee report continued

Internal Audit Function

The Group has an Internal Audit Department, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The Internal Audit Department is responsible for providing independent assessments for adequate, efficient and effective internal control systems in anticipating potential risks exposures over key business processes within the Group.

The Audit Committee approves the internal audit plan prior to the commencement of a new financial year. The scope of Internal Audit covers the audits of all units and operations, including subsidiaries.

The Group practices a risk-based approach to the implementation and monitoring of controls. The monitoring process also forms the basis for continually improving the risk management process in the Group's overall goals.

Throughout the financial year, audit assignments, investigations and follow-ups were carried out on units of operations and subsidiaries. These were carried out in accordance with the Annual Audit Plan or as special ad-hoc audits at management's request. The resulting reports of the audits undertaken were presented to the Audit Committee and forwarded to the parties concerned for their attention and necessary action.

The management is responsible for ensuring that corrective actions on reported weaknesses as recommended are taken within the required timeframe. The management is also responsible for ensuring a written report on action planned or completed is sent to the Chairman of the Audit Committee and the Group Internal Auditor.

As of 1 February 2004, the Internal Audit function has been outsourced to Messrs Ernst & Young for a 3-year period ending 31 December 2006. The outsourcing of the Internal Audit function was discussed by the Audit Committee on 23 October 2003 and approved by the Board on 12 December 2003. The Internal Audit Plan presented by Messrs Ernst & Young for the 3-year period was further approved by the Audit Committee and the Board on 21 January 2004.

Summary of Activities

The main activities performed by the Audit Committee during the financial year ended 31 January 2004 were as follows:

- Reviewed and approved the 3-Year Internal Audit Plan for the financial years ending 31 December 2004 to 31 December 2006. In this review, the Committee reviewed the scope and coverage of the activities of the respective business units of the Group and the Internal Audit's basis of assessment and risk rating of the proposed audit areas.
- Reviewed the audit strategy and scope for statutory audits of the financial statements of the Company and the Group with the external auditors.
- Reviewed the unaudited quarterly financial statements and the audited financial statements of the Company and the Group and recommended the same to the Board.
- Reviewed the findings of the external auditors and followed up on the recommendations.
- Reviewed the performance / operations audit of subsidiaries / associates and made the appropriate recommendations.
- Reviewed and appraised the adequacy and effectiveness of management response in resolving the audit issues reported.
- Met the external auditors without the presence of the management team.
- Reviewed the processes and investigations undertaken by the Internal Audit, the audit findings and risk analysis on each audit assignment and emphasised on follow-up audits to ensure that appropriate corrective actions are taken and recommendations of the Internal Audit are implemented.

Other main issues discussed by the Audit Committee were as follows:

- Evaluation report prepared by KLBK on the security services for KLBK's toll collection;
- Internal Control Statement and Audit Committee Report for inclusion in this Annual Report;
- The Balanced Scorecard Performance Measures for the Group Internal Audit; and
- The proposed outsourcing of the Group's Internal Audit function to Messrs Ernst & Young for the financial years ending 31 December 2004 to 31 December 2006.

Credible companies are built on the foundations of accurate financial reporting and good corporate governance. At MMC, we have taken several measures to ensure that the highest standards of corporate governance and transparency are practiced throughout the Group.

A narrative statement on how we have applied the Principles and Best Practices of the Malaysian Code on Corporate Governance (“Code”) is set out below.

A. DIRECTORS

The Board

The Company is controlled and led by a Board of Directors who are responsible to the shareholders for the management of the Company. The Board is responsible for the Company's overall strategy and objectives, its acquisition and divestment policies, major capital expenditure and the consideration of significant financial matters. It monitors the exposure to key business risks and reviews the direction of individual business units, their annual budgets, and their progress in relation to these budgets. During the year ended 31 January 2004, a total of nine board meetings were held. Each Director, during their term of office, has attended at least 50% of these meetings to ensure compliance with the Listing Rules.

The roles of the Chairman and Group Chief Executive do not vest in the same person. In fact, specific terms of reference are set out for both key positions to ensure that their roles are clearly distinguished.

To facilitate the discharge of the Board's stewardship responsibilities, the Board has adopted the six specific responsibilities prescribed by the Code.

Board Balance

The Board comprises two executive Directors and nine non-executive Directors, four of whom are independent. This composition demonstrates the range of experience necessary for applying independent judgment on issues of strategy, performance, resource utilisation and standards of conduct. The mixture of technical, entrepreneurial, financial and business skills of the Directors also enhances the effectiveness of the Board.

The Board is structured so that one third consists of independent Directors with expertise and skills from various fields. The interests of major shareholders are fairly reflected by the representation of their nominees

on the Board. To further promote the active participation of Board members, the Chairman encourages healthy debates on important issues. The Board has also appointed Tan Sri Dato' Thong Yaw Hong as its Senior Independent Director, to whom the concerns of fellow Board members may be conveyed.

The non-executive Directors monitor the Company and the management. The Board plays a significant role in the development of Group policy and form a number of board committees, which consist exclusively of non-executive Directors. There is an adequate degree of independence and a practice in place to allow Directors to meet and actively exchange views to ensure that the Board can effectively assess the direction of the Group and the performance of its management.

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statement on corporate governance

Supply of Information

The Board has a formal schedule of matters reserved specifically for its decision. It meets at least five times a year, and as and when necessary for any matters arising between regular Board meetings. The Board is supplied with information in a timely fashion and appropriate quality to enable them to discharge their duties. Due notice is given to Directors with regard to issues to be discussed. All resolutions are recorded and thereafter circulated to the Directors for comments before the minutes of Board proceedings are finalised and confirmed.

Directors are given access to any information within the Company and are free to seek independent professional advice at the Company's expense, if necessary, in furtherance of their duties. There is an agreed procedure in place for Directors to acquire independent professional advice to ensure the Board functions effectively. All Directors have access to the advice and services of a Company Secretary whose appointment and removal is a matter for the Board as a whole. The Company Secretary is responsible for ensuring that Board procedures are met and advises the Board on compliance issues.

Appointments to the Board

As an integral element of the process of appointing new Directors, the Company has an orientation and education programme for incoming Directors to help them familiarise themselves with the Company's businesses, strategic plans and objectives. Regular training sessions are continuously held to ensure that Directors are kept abreast of the latest development and changes in law and commercial practices and risks.

In line with the Best Practices of the Code, the Board has established a Nomination Committee, composed exclusively of non-executive Directors, the majority of whom are independent. Their function is to propose new nominees to the Board and Board committees, and to assess Directors within the Group on an ongoing basis. To ensure that the Board and their committees are effective, the Nomination Committee has developed and implemented an annual evaluation process to assess the effectiveness of the Board, the committees and each individual Director.

The Board, through the Nomination Committee, also reviews its size and overall composition, to ensure that the Board has the required mix of skills and experience to effectively discharge its duties. The Company Secretary has the obligation to ensure that all appointments are properly made in accordance with the regulatory requirements.

Re-Election

All Directors are required to submit themselves for re-election by shareholders at least once every three years in accordance with the Company's Articles of Association. Retiring Directors are eligible under the Articles, for re-election. In addition, pursuant to the Companies Act 1965, Directors who are over the age of seventy years, are required to retire from office at every general meeting and shall be eligible for re-appointment to hold office until the next annual general meeting.

B. DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The Board, through its Remuneration Committee, annually reviews the performance of the executive Director as a prelude to determining his annual remuneration, bonus and other benefits / incentive awards. The Board also, as a whole, reviews levels of remuneration to ensure that they are sufficient to attract and retain Directors needed to run the Company successfully. Naturally, individual Directors are not allowed to deliberate on their own remuneration.

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**statement on
corporate
governance** continued

Procedure

The Remuneration Committee has the responsibility to recommend to the Board, the compensation and benefits of the executive Director. In discharging this duty, the Remuneration Committee will evaluate the executive Director's performance against the goals and objectives set by the Board. The Company has in place a formal and transparent evaluation procedure to ensure that the executive Director's remuneration package is competitive and attractive.

The remuneration of non-executive Directors is reviewed by the Board as a whole from time to time to ensure that it is aligned to their duties and responsibilities. Every year, a questionnaire is sent to each Director for the Director to assess the effectiveness of the full Board and the committee(s) which the Director serves. In principle, the questionnaire will ask the Directors to evaluate the quality of information and analysis presented to them. It will also solicit their comments on the effectiveness of the Board and committee's discussions as well as their suggestions for improving the functions of the Board and the relevant committees. The Directors would be asked to provide their responses to the Chairman of the Board who is also the Chairman of the Nomination Committee.

Disclosure

The report of the Board on the Directors' remuneration is addressed in a separate section.

C. SHAREHOLDERS

Dialogue between the Company and Investors

The Company views investor relations as encompassing three vital and inter-related components:

1 Communications

The Company's objective is to give investors the best information possible so that they can accurately apply it to evaluate the Company. Information creates insights that help investors make informed decisions about the fundamental strengths and prospects of the Company.

2 Building mutually beneficial relationships with investors

Relationships are built on integrity, qualitative and timely information and management's ability to deliver on its promises.

3 Providing feedback to management on how the market views the Company

The Company seeks to understand the attitudes of investors towards the Company, its strategies and key initiatives. This requires having a strong sense of how the market will react to strategies and gaining insight into actions investors will favour.

The Company communicates with investors through the following means:

- a. Printed material: annual reports, press releases and corporate fact sheets.
- b. Electronic means: quarterly reports, website and email; and
- c. Oral communication: the AGM, the EGM, one-on-one meetings and group analyst meetings.

The Corporate Communications & Investor Relations department is in charge of the Group's investor relations programme and all corporate communications initiatives, including organising meetings between top management and research analysts and fund managers. Feedback from these meetings are analysed and relayed to management for any follow up action.

The AGM

The Company values feedback from its shareholders and encourages them to actively participate in discussions and deliberations. AGMs are held each year to consider the ordinary business of the Company and any other special businesses. Each item of special business included in the notice is accompanied by a full explanation of the effects of the proposed resolution. During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board subscribes to the philosophy of transparent, fair, reliable and easily comprehensible reporting to stakeholders. The Board acknowledges and accepts full responsibility for preparing a balanced and comprehensive assessment of the Group's operations and prospects each time it

releases its quarterly and annual financial statement to shareholders.

Internal Control

The Board is responsible to review the adequacy and integrity of the Company's internal control system. The Board has appointed experts, both internal and external, to ensure that the Company maintains a sound enterprise-based internal control system to safeguard the shareholders' investment and the Company's assets. The Board reviews the effectiveness of the internal control system by the work of the internal auditors and the Audit Committee, which oversees the work of the Internal Audit Division as well as comments made by the external auditors in their management letter and other reports.

Relationship with Auditors

The Board, on its own and through the Audit Committee, has a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors. The Audit Committee seeks regular assurance on the effectiveness of the internal control system through independent appraisal by the auditors. Liaison and unrestricted communication exists between the Audit Committee and the external auditors.

E. BOARD COMMITTEES

The Board has established four standing committees, each operating within defined terms of reference, to assist the Board in discharging its responsibilities. They are the Audit Committee, the Executive Committee, the Nomination Committee and the Remuneration Committee. The minutes of each committee's meetings are circulated to all Board members so that each Director is aware of the deliberations and resolutions made.

The Audit Committee comprises three independent Directors and is chaired by Encik Halim bin Haji Din. The committee meets routinely four times a year with additional meetings held where necessary. The Group Chief Executive, Group Chief Financial Officer, Head of Internal Audit and external auditors attend such meetings by invitation and provide reports as required by the committee. At least one meeting is held each year with the external auditors in private, in the absence of management.

The Executive Committee comprises one executive Director and three non-executive Directors. The committee is responsible towards strategic and operational plans which fall within their levels of authority. Where appropriate, recommendations are made to the Board on decisions reserved by the Board.

The Nomination Committee comprises three non-executive Directors, two of whom are independent Directors. The committee makes recommendations to the Board on new Board appointments, taking into account the balance and structure of the Board.

The Remuneration Committee comprises three non-executive Directors, two of whom are independent Directors. The committee considers the remuneration of executive Directors.

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**statement on
corporate
governance** continued

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internal control statement

The Board of Directors recognises the importance of sound internal control and risk management practices and its responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. It is acknowledged that such systems can only manage rather than eliminate the risks and that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

Associated companies, Malakoff Berhad and Malaysia Smelting Corporation Berhad, that contribute to the

Group's results have not been dealt with as part of the Group for the purpose of this Internal Control Statement. However, both companies are listed on the main board of the MSEC and would comply with this reporting requirement in their own right.

Group Risk Management Framework

The Group Risk Management Framework exercise was fully completed and implemented in June 2003. The management, realising the importance of good corporate governance culture, had employed consultants to identify and evaluate risks within the Group, taking into consideration the effectiveness of controls currently implemented. These risks were then handed over to the individual risk owners to ensure that proper control and monitoring are carried out continuously to mitigate these risks with proactive actions.

Risk Assessment Tool System

The risk ratings and corrective actions are to be updated on a monthly basis by the risk owners into the Risk Assessment Tool System (RATS). The data contained in RATS, which can be accessed at any time, will then be checked and reviewed by the management of individual subsidiaries, the ultimate risk owners.

Group Risk Management Framework Quarterly Report

The information fed into RATS is extracted and compiled in the Group Risk Management Framework Quarterly Report which is presented to the Board quarterly. The Internal Audit Department will extract and compile risks that are rated 'high' together with the corrective measures taken and present them to the Group Chief Operating Officer and the Group Chief Executive for review and subsequent presentation to the Board. The Report will assist the Board to be aware of major risks within the Group and ensure prompt action by the management.

Business Continuity Plan

MMC's Business Continuity Plan (BCP) is a proactive crisis management programme that addresses how the organisation should react to unexpected business interruptions.

The BCP was introduced to ensure that essential business functions can continue in the event of unforeseen or difficult circumstances and identifies the critical elements which are required to enable the Company to continue functioning.

MMC is committed to employ appropriate strategies for anticipating and controlling crisis situations and to establish an emergency response team, who would execute the plan to assure minimal additional disruption.

The IT Disaster Recovery Plan is a written and tested plan directing the computer system recovery process. The plan focuses on the requirements necessary to restore the processing of the critical Business System Applications at an alternate facility for an interim period following the loss of computing services.

Other Key Elements of Internal Control

The other key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to Board committees and management, including authority limits as set out in the Financial Authority Limits.
- Where appropriate, certain companies have ISO 9001: 2000 and ISO 14001 accreditation for their operational processes.
- Review of all proposals for material capital and investment acquisitions by the Executive Committee before review and approval by the Board.
- A budget process where companies under the Group prepare annual budgets, which are approved at

Company level, reviewed by the Executive Committee and the Board.

- Monthly Performance Reports, benchmarked against budgets and objectives that are regularly provided to Directors and discussed at Executive Committee and Board meetings.
- Performance monitoring, including discussion of significant issues at monthly Group Senior Management Committee meetings, which are attended by heads of companies within the Group.
- Board representation in companies for which material interest exists to facilitate the review of performance of their performance.
- Periodic reviews by the Group Internal Auditor, providing an independent assurance on the effectiveness of the Group's system of internal control and advising management on areas for further improvement.
- The Audit Committee, on behalf of the Board, considers the effectiveness of the operation of internal control procedures in the Group during the financial year. Each listed company in the Group has its own Audit Committee. Each Audit Committee will review reports from the Group Internal Auditor and from the external auditors and report its conclusion to their respective Boards. The Company's Audit Committee is provided with a summary of the Group Internal Audit reports for the listed subsidiaries.
- The Risk Management Framework of the Group is in place together with RATS to assist in the risk management process of the Group.
- The implementation of the SAP system for the Group has also increased the quality of controls over the general operations of the Company. It will further assist in ensuring that work processes are more efficient and timely.

The Board believes that the development of the system of internal controls is an ongoing process and continues to take steps to improve the internal control system.

A number of minor internal control weaknesses were identified during the period, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

internal control statement continued

Board and Committee Attendance

Set out below is the record of attendance of the Board members for Board & committee meetings for the period between 1 February 2003 and 31 January 2004:

| Name | Board of Directors | Audit Committee | Nomination Committee | Remuneration Committee | Executive Committee | Total Meetings Attended |
|--|--------------------|-----------------|----------------------|------------------------|---------------------|-------------------------|
| 1 Dato' Wira Syed Abdul Jabbar bin Syed Hassan | 9/9 | - | 3/3 | 1/1 | 5/5 | 18 |
| 2 Dato' Ismail Shahudin | 8/9 | - | - | - | 5/5 | 13 |
| 3 Tan Sri Dato' Thong Yaw Hong | 9/9 | 6/6 | 3/3 | 1/1 | - | 19 |
| 4 Tan Sri Dato' Dr. Abdul Khalid Sahan | 6/9 | - | - | - | 4/5 | 10 |
| 5 Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob | 7/9 | - | - | - | - | 7 |
| 6 Dato' Hilmi bin Mohd. Noor | 9/9 | - | - | 1/1 | 5/5 | 15 |
| 7 Dato' Abdullah bin Mohd. Yusof | 8/9 | 6/6 | 3/3 | - | - | 17 |
| 8 Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin | 8/9 | - | - | - | - | 8 |
| 9 Encik Halim bin Haji Din | 7/9 | 6/6 | - | - | - | 13 |
| 10 Datuk Mohd Sidik Shaik Osman | 7/9 | - | - | - | - | 7 |
| 11 Encik Feizal Ali * | - | - | - | - | - | - |

Note:

* Appointed as Director after the financial year ended 31 January 2004

APPENDIX

Directors' Remuneration

The fees payable to non-executive Directors are approved by the shareholders at the Annual General Meeting based on the recommendation of the Board. The fees payable to each of the non-executive Directors are determined by the Board as a whole. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as Directors.

The aggregate remuneration of the Directors categorised into the appropriate components are as follows:

| Category | Fees (RM) | Salaries (RM) | Meeting and other allowances (RM) | Benefits in kind (RM) |
|-------------------------|-----------|---------------|-----------------------------------|-----------------------|
| Executive Director | - | 740,000 | - | 92,853 |
| Non-Executive Directors | 495,000 | - | 208,500 | 19,100 |

The remuneration paid to the Directors within the following bands are as follows:

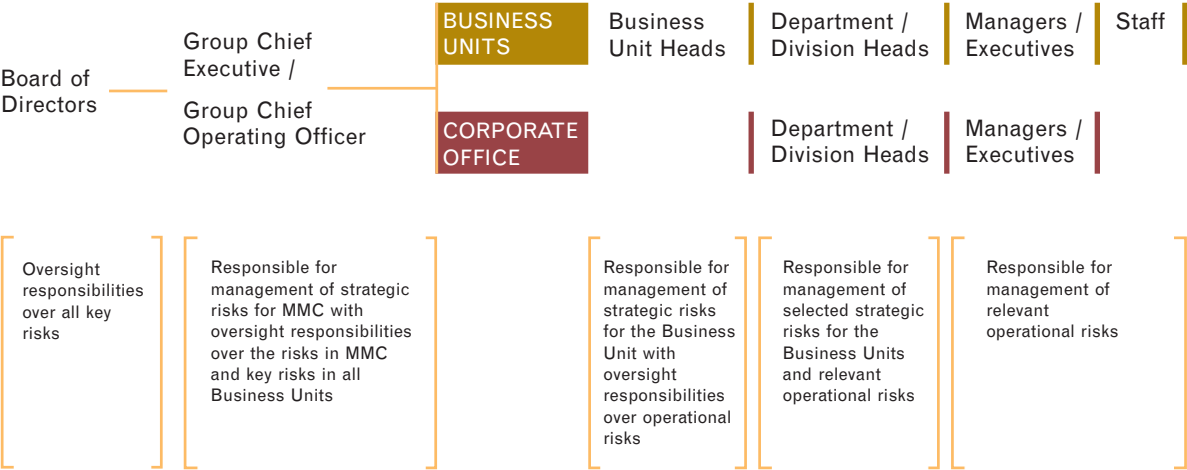
| Amount of Remuneration | Number of Executive Directors | Number of Non-Executive Directors |
|------------------------|-------------------------------|-----------------------------------|
| Less than RM50,000 | - | 4 |
| RM50,000 to RM100,000 | - | 4 |
| RM200,001 to RM250,000 | - | 1 |
| RM700,000 to RM750,000 | 1 | - |

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, item 10 of the MSEP Listing Requirements. The Board of Directors is of the opinion that separate disclosure would not add significantly to the understanding of shareholders and other interested persons in this area.

Risk management is an integral part of the Group's management process. The process for managing risk is therefore embedded into the operational processes of the Group.

MMC is committed to its vision of growth and increasing shareholder value. Towards achieving its vision, MMC will face risks relating to its business strategy and operations, and risks associated with its people, assets and reputation. The purpose of the Group Risk Management Policy is to effectively manage the entire spectrum of these risks.

Structure and Roles



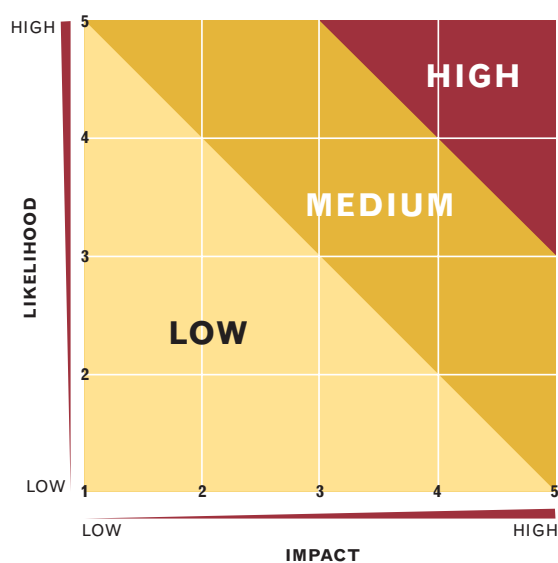
Group Risk Management Policy

The Group's policy is to adopt a common Risk Management Framework, which creates an instinctive and consistent consideration for risk and reward in day-to-day planning, execution and monitoring of the strategy and achievement of corporate goals.

Risk Identification Process and Analysis

The Group defines risk as any event, which may impact upon its objectives, including economic, reputation and compliance objectives. Risk is measured in terms of consequences (impact) and likelihood. Business risks arise as much from the likelihood of loss opportunities as they do from uncertainties and hazards. Our policy is to identify, evaluate and respond appropriately to risks identified so as to protect the Group from loss, uncertainty and lost opportunity.

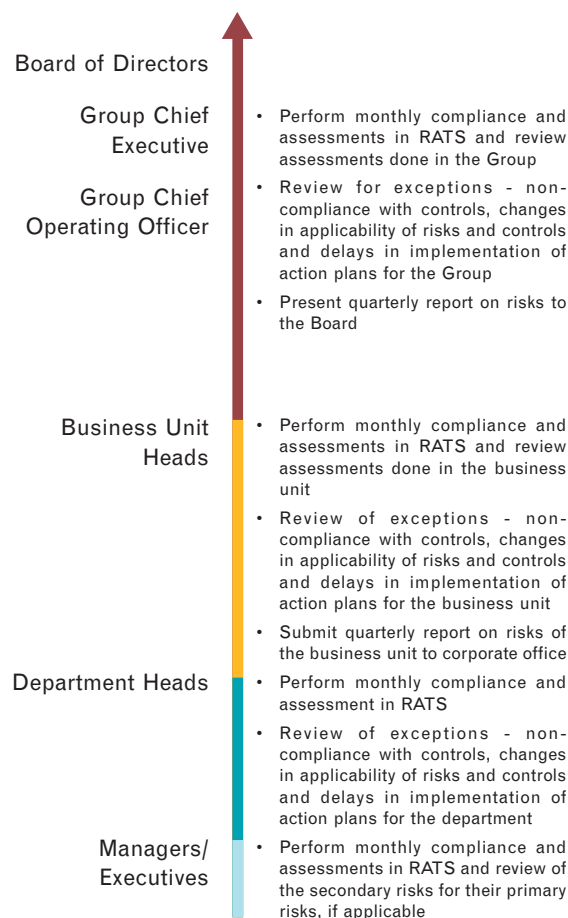
Risk Map/Profile



- High risk - audited every 12 months
- Medium risk - audited every 18 months
- Low risk - audited every 36 months

Monitoring and Reporting Process

Monitoring and reviewing is an essential and integral stage in the process for managing risks, as few risks remain static. Overview of the monitoring and reporting process in the Group is provided in the diagram below:



Conflict of Interest

None of the Directors have any family relationship with other Directors or major shareholders of the Company. However, Dato' Wira Syed Abdul Jabbar bin Syed Hassan, Dato' Ismail Shahudin and Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin each holds 3,000, 6,000 and 6,000 shares respectively indirectly in the share capital of the Company.

Convictions for Offences

None of the Directors have been convicted for offences within the past 10 years other than traffic offences, if any.

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal.

Share Buybacks

During the financial year, there were no share buybacks by the Company.

Options, Warrants of Convertible Securities

No options, warrants or convertible securities were issued by the Company during the financial year.

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Impositions of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-audit fees

The non-audit fees paid to the external auditors by the Company for the year amounted to RM232,000.

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additional compliance information

Profit Guarantee

During the year, there was no profit guarantee given by the Company.

Material Contracts

There were no material contracts between the Company and its subsidiaries involving Directors' and major shareholders' interests.

Contracts Relating to Loan

There were no contracts relating to loans by the Company involving Directors and major shareholders.

Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.

Our culture extends beyond business. With success comes the obligation to do what is right for all of our stakeholders and we believe in giving back to the communities in which we operate.

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corporate social responsibility report

We aim to address the social expectations of the communities with whom we come into contact. Our experience shows that social responsibility and business objectives are mutually collaborative - being financially able allows us to contribute to society, and operating responsibly contributes to our financial success. We are pleased to present our first Corporate Social Responsibility Report, marking yet another step in our quest for corporate excellence.

SOCIAL & HUMANITARIAN

We helped improve the community and sporting facilities at Kampung Tasek, Kepala Batas by sponsoring PNB's community project in conjunction with Minggu Saham Amanah Malaysia 2004. We also contributed to a fund-raising dinner organised by MERCY Malaysia and donated to "Tabung Mangsa Perang Iraq" as part of our efforts to assist the people of Iraq.

YOUTH & EDUCATION

We advocate the right to education by contributing to the Endowment Fund for Needy Students and sponsoring the Qids Education Foundation. We also donated to Persatuan Kelab Belia-Belia Malaysia, which is responsible for conducting youth development programmes in the country.

We support Outward Bound Malaysia, a non-profit organisation that helps people develop their potential to care for themselves, others and the world around them through challenging experiences in unfamiliar settings. Our Group Chief Executive serves as President of the Outward Bound Trust of Malaysia.

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corporate social responsibility report continued

HEALTH & SPORTS

We collaborated with PEMADAM in the fight against drugs by sponsoring the “Menjayakan Aktiviti PEMADAM” programme. We also contributed to the Blood Donation Campaign held in Kedah and to Tabung Thalassaemia Malaysia and donated a haemodialysis machine to the Kesatuan Kebajikan Pekerja-Pekerja Perubatan dan Kesihatan Semenanjung Malaysia.

code of ethics

We adopted a Code of Ethics last October. The Code enables our employees to make decisions in a manner that supports our values, while protecting the interests of our stakeholders. The Code is part of how we do business, and helps our employees perform their job effectively and with integrity. We remain committed to enhance our growth and deliver the best value in everything we do, and the Code helps us achieve the right things in the right manner at all times.

We aim to achieve a level of excellence that is expected from a responsible corporation. And we believe this is consistent with and supports our commitment to maximise shareholder value.

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shared services report

We continue to improve our business processes to enhance our operational effectiveness. In 2003, several support services were rationalised into a shared services framework. This framework enables support services such as Human Resource and Finance & Administration to be centralised. These support services provide central support to the various business units and eliminate duplication and other ineffective processes. The shared services framework also provides better operational focus and a more effective use of resources. The framework was also made practical with the implementation of common SAP applications within the Group. As MMC moves forward, the shared services framework will be continuously enhanced to facilitate our quest in achieving operational excellence.

| | | | |
|----|------------------------|----|---|
| 60 | directors' report | 71 | consolidated statement of changes in equity |
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| 65 | statutory declaration | 75 | cash flow statements |
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financial statements



continuous
performance

We will continue to build our presence in industries where we can lead, leveraging on our diversity to enable us to prosper under challenging market conditions.

directors' report

for the financial year
ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 January 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, construction and undertaking mining and mineral exploration activities.

The principal activities of the Group consist of property and investment holding, construction, supply and distribution of natural and liquefied gas, manufacturing, civil and specialised engineering, construction and operation of privatised highway, port operations, fabrication, mine management, erection of power transmission lines, power generation and design and building of public light rail system.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

| | Group | Company |
|-----------------------------------|--------------|----------------|
| | RM'000 | RM'000 |
| Profit after taxation | 145,374 | 41,570 |
| Minority interest | (29,223) | - |
| Net profit for the financial year | 116,151 | 41,570 |

DIVIDENDS

The dividends paid or declared by the Company since 31 January 2003 were as follows:

| | RM'000 |
|--|--------|
| In respect of the financial year ended 31 January 2003, as shown in the Directors' report of that financial year, a final gross dividend of 3.0 sen per share, less 28% income tax and 1.0 sen per share, tax exempt on 1,125,217,230 ordinary shares, was paid on 22 August 2003. | 35,557 |

The Directors now recommend the payment of a final gross dividend comprising 3.0 sen per share, less 28% income tax and 2.0 sen per share, tax exempt on 1,126,613,046 ordinary shares amounting to RM46,867,103 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 29 June 2004 to shareholders registered on the Company's Register of Members at the close of business on 4 June 2004.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

directors' report

for the financial year
ended 31 January 2004
(continued)

MALAYSIA MINING CORPORATION BERHAD

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up share capital from 1,121,409,210 to 1,126,613,046 by way of the issuance of 5,203,836 new ordinary shares of RM0.10 each at an issue price of RM2.15 per share as partial discharge of purchase consideration pursuant to the Voluntary Offer by the Company to acquire approximately 25.00% of the issued and paid up share capital in a subsidiary, MMC Engineering Group Berhad.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company except the shares did not rank for dividend declared in respect of the period prior to the date of issue.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, Chairman
Dato' Ismail Shahudin
Tan Sri Dato' Thong Yaw Hong
Tan Sri Dato' Dr. Abdul Khalid Sahan
Dato' Hilmi bin Mohd. Noor
Dato' Abdullah bin Mohd. Yusof
Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Haji Wan Yaacob
Datuk Ir. (Dr) Haji Ahmad Zaidee bin Laidin
Encik Halim Haji Din
Datuk Mohd Sidik Shaik Osman
Encik Ayyaril Karikulath Feizal Ali (appointed on 24 March 2004)

In accordance with Article 77 of the Company's Articles of Association, Dato' Hilmi bin Mohd. Noor, Dato' Abdullah bin Mohd. Yusof and Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman bin Haji Wan Yaacob retire by rotation and being eligible, offer themselves for re-election.

Tan Sri Dato' Thong Yaw Hong, having attained the age of seventy years, retires in accordance with Section 129 of the Companies Act 1965 and offers himself for re-appointment in accordance with Section 129(6) of the said Act, to hold office until the conclusion of the next Annual General Meeting of the Company.

Tan Sri Dato' Dr. Abdul Khalid Sahan, having attained the age of seventy years, retires in accordance with Section 129 of the Companies Act 1965 and does not offer himself for re-election.

Encik Ayyaril Karikulath Feizal Ali who was appointed during the year retires pursuant to Articles 84 of the Company's Articles of Association and being eligible offers himself for re-election.

directors' report

for the financial year
ended 31 January 2004
(continued)

MALAYSIA MINING CORPORATION BERHAD

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments and benefit-in-kind received or due and receivable by Directors as shown in the financial statements) 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.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, particulars of deemed interests of Directors who held office at the end of the financial year in shares in, or debentures of, the Company and its related corporations (other than wholly owned subsidiaries) are as follows:

Shareholdings in which Directors have deemed interest in Malaysia Mining Corporation Berhad.

| | <u>Number of ordinary shares of RM0.10 each in the Company</u> | | | |
|--|--|---------------|-------------|------------------------|
| | <u>At</u> | | | <u>At</u> |
| | <u>1 February 2003</u> | <u>Bought</u> | <u>Sold</u> | <u>31 January 2004</u> |
| Dato' Ismail Shahudin* | 6,000 | - | - | 6,000 |
| Datuk Ir. (Dr) Haji Ahmad Zaidee bin Laidin* | 6,000 | - | - | 6,000 |

* *Deemed interest through his spouse.*

Other than disclosed above, according to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company and its related corporations (other than wholly owned subsidiaries) during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

directors' report

for the financial year
ended 31 January 2004
(continued)

MALAYSIA MINING CORPORATION BERHAD

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability 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 affect the ability of the Group or the Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading. In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the income statements and the notes to the financial statements; and
- (b) except as disclosed in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

directors' report

for the financial year
ended 31 January 2004
(continued)

MALAYSIA MINING CORPORATION BERHAD

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are as disclosed in Note 38 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with its resolution dated 24 March 2004.



DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN
Chairman

Kuala Lumpur



DATO' ISMAIL SHAHUDIN
Director

statement by directors

pursuant to Section 169(15) of the
Companies Act 1965

MALAYSIA MINING CORPORATION BERHAD

We, Dato' Wira Syed Abdul Jabbar bin Syed Hassan and Dato' Ismail Shahudin, two of the Directors of Malaysia Mining Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 67 to 151 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 January 2004 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965.

Signed on behalf of the Board of Directors in accordance with its resolution dated 24 March 2004.



DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN
Chairman

Kuala Lumpur



DATO' ISMAIL SHAHUDIN
Director

statutory declaration

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

I, Ayyaril Karikulath Feizal Ali, the Director primarily responsible for the financial management of Malaysia Mining Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 151 are, in my opinion, 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.



AYYARIL KARIKULATH FEIZAL ALI

Subscribed and solemnly declared by the abovesigned Ayyaril Karikulath Feizal Ali.

At: Kuala Lumpur
On: 24 March 2004

Before me:



COMMISSIONER FOR OATHS

1st Floor Putra Flat
101, Jalan Putra
50360 Kuala Lumpur

report of the auditors

to the members of Malaysia Mining
Corporation Berhad (Company No. 30245-H)

MALAYSIA MINING CORPORATION BERHAD

We have audited the financial statements set out on pages 67 to 151. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
- (ii) the state of affairs of the Group and Company as at 31 January 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 37 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of Section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/09/04 (J))
Partner of the firm

24 March 2004

income statements

for the financial year
ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

| | Note | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|---------|------------------|-------------------------|------------------|---------------------------|
| Revenue | 3 | 1,167,598 | 729,883 | 251,361 | 82,801 |
| Cost of sales | 4 | (731,232) | (544,906) | (133,920) | - |
| Gross profit | | 436,366 | 184,977 | 117,441 | 82,801 |
| Distribution costs | | (724) | (6,454) | - | - |
| Administrative expenses | | (205,905) | (85,567) | (18,056) | (20,525) |
| Operating expenses | | (21,665) | (18,331) | - | (528) |
| Other operating income | | 50,816 | 38,338 | 7,340 | 14,067 |
| Profit from operations | 6 | 258,888 | 112,963 | 106,725 | 75,815 |
| Finance costs | 7 | (184,318) | (42,730) | (48,589) | (14,246) |
| Share of results of: | | | | | |
| - associates | | 169,341 | 133,046 | - | - |
| - jointly controlled entities | 14 | 129 | (989) | - | - |
| Items relating to investments: | | | | | |
| Impairment of cost of investment | | | | | |
| - subsidiaries | | - | - | - | (5,929) |
| - associates | | - | - | (1,608) | (60) |
| - other investments | | - | (11,620) | - | (2,000) |
| Interest in mineral properties written down | | - | (3,334) | - | - |
| Write back of closure costs for subsidiaries | | - | 3,494 | - | - |
| Write back of closure costs of mining land | | 1,140 | - | - | - |
| Amortisation of goodwill | | (36,102) | (2,907) | - | - |
| Allowance for doubtful debts in subsidiaries | | - | - | (32) | (109) |
| Recoveries from a subsidiary under receivership | | 7,801 | - | - | - |
| Gain on disposal of a subsidiary | 12b(ii) | 394 | - | - | - |
| Gain on sale of shares in an associate | | 3,194 | 17,453 | 3,569 | - |
| | | (23,573) | 3,086 | 1,929 | (8,098) |

income statements

for the financial year
ended 31 January 2004
(continued)

MALAYSIA MINING CORPORATION BERHAD

| | Note | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 | <u>2004</u> RM'000 | Company <u>2003</u> RM'000 |
|--|------|-----------------------|--------------------------------|-----------------------|----------------------------------|
| Profit from ordinary activities before taxation | | 220,467 | 205,376 | 60,065 | 53,471 |
| Tax expense: | | | | | |
| - Company and subsidiaries | 8 | (25,721) | (21,000) | (18,495) | - |
| - Associates | 8 | (49,372) | (42,742) | - | - |
| | | (75,093) | (63,742) | (18,495) | - |
| Profit from ordinary activities after taxation | | 145,374 | 141,634 | 41,570 | 53,471 |
| Less: Minority interest | | (29,223) | (30,960) | - | - |
| Net profit for the financial year | | 116,151 | 110,674 | 41,570 | 53,471 |
| Basic earnings per ordinary share (sen) | 9 | 10.3 | 12.9 | | |
| Dividends per ordinary share (sen): | | | | | |
| - Interim | 10 | - | 1.0 | - | 1.0 |
| - Proposed final | 10 | 5.0 | 4.0 | 5.0 | 4.0 |

balance sheets

as at 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

| | Note | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|------|----------------|-------------------------|----------------|---------------------------|
| NON CURRENT ASSETS | | | | | |
| Property, plant and equipment | 11 | 3,137,285 | 2,984,132 | 11,471 | 11,296 |
| Investments in subsidiaries | 12 | - | - | 2,529,603 | 2,482,340 |
| Investments in associates | 13 | 1,299,290 | 1,008,758 | 184,675 | 46,994 |
| Investments in jointly controlled entities | 14 | 4,188 | 7,659 | - | - |
| Other investments | 15 | 260,633 | 265,186 | - | - |
| Amount due from subsidiaries | 16 | - | - | 538,700 | 596,356 |
| Amount due from associates | 17 | 5,000 | 21,012 | 5,000 | 21,267 |
| Other assets | 18 | 43,816 | 46,121 | - | - |
| Goodwill | 19 | 1,800,993 | 1,816,972 | - | - |
| Deferred tax assets | 20 | 16,394 | 18,614 | 2,689 | 2,689 |
| | | 6,567,599 | 6,168,454 | 3,272,138 | 3,160,942 |
| CURRENT ASSETS | | | | | |
| Inventories | 21 | 24,086 | 19,254 | - | - |
| Trade and other receivables | 22 | 446,456 | 317,027 | 187,050 | 46,231 |
| Tax recoverable | | 20,512 | 11,742 | - | - |
| Deposits, bank and cash balances | 23 | 251,530 | 501,764 | 28,865 | 19,302 |
| | | 742,584 | 849,787 | 215,915 | 65,533 |
| CURRENT LIABILITIES | | | | | |
| Borrowings | 24 | 301,097 | 93,365 | 50,000 | - |
| Trade and other payables | 25 | 347,564 | 363,472 | 101,781 | 55,394 |
| Finance lease liabilities | 26 | - | 1,403 | - | - |
| Taxation | | 7,856 | 21,741 | - | - |
| | | 656,517 | 479,981 | 151,781 | 55,394 |
| NET CURRENT ASSETS | | 86,067 | 369,806 | 64,134 | 10,139 |
| | | 6,653,666 | 6,538,260 | 3,336,272 | 3,171,081 |

balance sheets

as at 31 January 2004
(continued)

MALAYSIA MINING CORPORATION BERHAD

| | Note | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|---|------|------------------------------|-------------------------|------------------------------|---------------------------|
| FINANCED BY: | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 27 | 112,661 | 112,141 | 112,661 | 112,141 |
| Reserves | 28 | 2,991,222 | 2,896,627 | 1,936,724 | 1,960,830 |
| Shareholders' equity | | 3,103,883 | 3,008,768 | 2,049,385 | 2,072,971 |
| Minority interests | 29 | 111,369 | 151,953 | - | - |
| | | 3,215,252 | 3,160,721 | 2,049,385 | 2,072,971 |
| NON-CURRENT LIABILITIES | | | | | |
| Amounts due to subsidiaries | 16 | - | - | 324,897 | 298,110 |
| Deferred tax liabilities | 20 | 77,083 | 58,906 | - | - |
| Borrowings | 24 | 3,097,934 | 2,980,924 | 961,990 | 800,000 |
| Finance lease liabilities | 26 | - | 940 | - | - |
| Redeemable convertible subordinated loans | 30 | 263,397 | 336,769 | - | - |
| | | 3,438,414 | 3,377,539 | 1,286,887 | 1,098,110 |
| | | 6,653,666 | 6,538,260 | 3,336,272 | 3,171,081 |

consolidated statement of changes in equity

for the financial year ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

| | Note | Non-distributable | | | | Distributable | | Total RM'000 |
|--|------|----------------------------|----------------------------|--|----------------------------------|---------------------------------|--------------------------------|--------------------------------|
| | | Share capital RM'000 | Share premium RM'000 | Foreign exchange reserve RM'000 | Revaluation reserve RM'000 | **Capital reserves RM'000 | *Capital reserves RM'000 | Retained earnings RM'000 |
| At 1 February 2003 | | | | | | | | |
| - as previously reported | | 112,141 | 1,314,412 | (52,030) | 30,139 | 311,101 | 919,988 | 357,599 |
| - prior year adjustments | 36 | - | - | - | (2,019) | - | - | 17,437 |
| - as restated | | 112,141 | 1,314,412 | (52,030) | 28,120 | 311,101 | 919,988 | 375,036 |
| Net profit for the financial year | | - | - | - | - | - | - | 116,151 |
| Currency translation differences | | - | - | 869 | - | - | - | - |
| Dividend for financial year ended: | | | | | | | | |
| - 31 January 2003 (final) | 10 | - | - | - | - | - | - | (35,557) |
| Gain on deemed disposal of a subsidiary | | - | - | - | - | - | 3,246 | - |
| Gain on deconsolidation of a subsidiary | | - | - | (332) | - | - | - | 332 |
| Issue of shares: | | | | | | | | |
| - increase in equity interest in existing subsidiaries | | 520 | 10,668 | - | - | - | - | - |
| - share issue expenses | | - | (782) | - | - | - | - | - |
| At 31 January 2004 | | 112,661 | 1,324,298 | (51,493) | 28,120 | 311,101 | 923,234 | 455,962 |
| | | | | | | | | 3,103,883 |

* - The distributable capital reserves represent mainly the net gain from disposals of investments.

** - The non-distributable capital reserves mainly consist of share premium of another company that merged with the Group in 1976.

consolidated statement of changes in equity

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

| | Note | Non-distributable | | | | Distributable | | Total RM'000 |
|--|------|----------------------------|----------------------------|--|----------------------------------|---------------------------------|--------------------------------|--------------------------------|
| | | Share capital RM'000 | Share premium RM'000 | Foreign exchange reserve RM'000 | Revaluation reserve RM'000 | **Capital reserves RM'000 | *Capital reserves RM'000 | Retained earnings RM'000 |
| At 1 February 2002 | | | | | | | | |
| - as previously reported | | 83,614 | 487,129 | (53,308) | 30,139 | 311,101 | 919,988 | 264,795 |
| - prior year adjustments | 36 | - | - | - | (2,019) | - | - | 17,627 |
| - as restated | | 83,614 | 487,129 | (53,308) | 28,120 | 311,101 | 919,988 | 282,422 |
| Net profit for the financial year | | - | - | - | - | - | - | 110,674 |
| Currency translation differences | | - | - | 1,278 | - | - | - | - |
| Dividend for the financial year ended: | | | | | | | | |
| - 31 January 2002 (final) | | - | - | - | - | - | - | (12,040) |
| - 31 January 2003 (interim) | 10 | - | - | - | - | - | - | (6,020) |
| Issue of shares: | | | | | | | | |
| - acquisition of a subsidiary | | 28,527 | 827,283 | - | - | - | - | - |
| At 31 January 2003 | | 112,141 | 1,314,412 | (52,030) | 28,120 | 311,101 | 919,988 | 375,036 |

* - The distributable capital reserves represent mainly the net gain from disposals of investments.

** - The non-distributable capital reserves mainly consist of share premium of another company that merged with the Group in 1976.

company statement of changes in equity

for the financial year ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

| | | Non-distributable | | | | Distributable | | |
|---|------|-------------------------|-------------------------|------------------------------------|------------------------------|-----------------------------|-----------------------------|------------------|
| | Note | Share capital RM'000 | Share premium RM'000 | Foreign exchange reserve RM'000 | **Capital reserves RM'000 | *Capital reserves RM'000 | Retained earnings RM'000 | Total RM'000 |
| At 1 February 2003 | | | | | | | | |
| - as previously reported | | 112,141 | 1,314,412 | (20,560) | 211,963 | 243,074 | 209,252 | 2,070,282 |
| - prior year adjustment | 36 | - | - | - | - | - | 2,689 | 2,689 |
| - as restated | | 112,141 | 1,314,412 | (20,560) | 211,963 | 243,074 | 211,941 | 2,072,971 |
| Net profit for the financial year | | - | - | - | - | - | 41,570 | 41,570 |
| Currency translation differences | | - | - | (40,005) | - | - | - | (40,005) |
| Dividend for the financial year ended 31 January 2003 (final) | 10 | - | - | - | - | - | (35,557) | (35,557) |
| Issue of shares: | | | | | | | | |
| - increase in equity interest in existing subsidiaries | | 520 | 10,668 | - | - | - | - | 11,188 |
| - share issue expenses | | - | (782) | - | - | - | - | (782) |
| At 31 January 2004 | | 112,661 | 1,324,298 | (60,565) | 211,963 | 243,074 | 217,954 | 2,049,385 |

* - The distributable capital reserves represent mainly the net gain from disposals of investments.

** - The non-distributable capital reserves mainly consist of share premium of another company that merged with the Group in 1976.

company statement of changes in equity

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

| | Note | Non-distributable | | | | Distributable | | Total RM'000 |
|---|------|----------------------------|----------------------------|--|---------------------------------|--------------------------------|--------------------------------|-----------------|
| | | Share capital RM'000 | Share premium RM'000 | Foreign exchange reserve RM'000 | **Capital reserves RM'000 | *Capital reserves RM'000 | Retained earnings RM'000 | |
| At 1 February 2002 | | | | | | | | |
| - as previously reported | | 83,614 | 487,129 | - | 211,963 | 243,074 | 173,841 | 1,199,621 |
| - prior year adjustment | 36 | - | - | - | - | - | 2,689 | 2,689 |
| - as restated | | 83,614 | 487,129 | - | 211,963 | 243,074 | 176,530 | 1,202,310 |
| Net profit for the financial year | | - | - | - | - | - | 53,471 | 53,471 |
| Currency translation differences | | - | - | (20,560) | - | - | - | (20,560) |
| Dividends for the financial year ended: | | | | | | | | |
| - 31 January 2002 (final) | | - | - | - | - | - | (12,040) | (12,040) |
| - 31 January 2003 (interim) | 10 | - | - | - | - | - | (6,020) | (6,020) |
| Issue of shares: | | | | | | | | |
| - acquisition of a subsidiary | | 28,527 | 827,283 | - | - | - | - | 855,810 |
| At 31 January 2003 | | 112,141 | 1,314,412 | (20,560) | 211,963 | 243,074 | 211,941 | 2,072,971 |

* - The distributable capital reserves represent mainly the net gain from disposals of investments.

** - The non-distributable capital reserves mainly consist of share premium of another company that merged with the Group in 1976.

cash flow statements

for the financial year
ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

| | Note | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|------|------------------|-------------------------|-----------------|---------------------------|
| OPERATING ACTIVITIES | | | | | |
| Profit before taxation | | 220,467 | 205,376 | 60,065 | 53,471 |
| Adjustments for: | | | | | |
| Depreciation | | 142,208 | 39,461 | 2,753 | 2,089 |
| Dividend income | | (30,964) | (27,862) | (93,129) | (82,801) |
| Items relating to investments | | 23,573 | (3,086) | (1,929) | 8,098 |
| Gain on disposal of property, plant and equipment | | (1,420) | (472) | (86) | (20) |
| Property, plant and equipment written off | | 202 | 776 | - | 15 |
| Impairment loss of property, plant and equipment | | 1,311 | 290 | - | - |
| Write back of allowance for doubtful debts | | (12,508) | (12,373) | - | - |
| Allowance for doubtful debts | | 9,976 | 4,381 | - | - |
| Inventories written off | | 219 | 302 | - | - |
| Allowance for slow moving inventories | | 144 | 808 | - | - |
| Allowance for claims and foreseeable losses | | 900 | 2,714 | - | - |
| Reversal of allowance for claims and foreseeable losses | | (661) | (684) | - | - |
| Reversal of allowance for slow moving inventories | | (16) | (132) | - | - |
| Interest income | | (16,275) | (19,233) | (4,112) | (9,137) |
| Interest expense | | 184,318 | 42,730 | 48,589 | 14,246 |
| Share of results in: | | | | | |
| - associates | | (169,341) | (133,046) | - | - |
| - jointly controlled entities | | (129) | 989 | - | - |
| Allowance for mining exploration expenditure | | 69 | 1,322 | 69 | 1,322 |
| Unrealised foreign exchange (gain) / loss | | (577) | 116 | - | (99) |
| Provision for retirement benefit | | 104 | 86 | - | - |
| Reversal of prepayment of other assets | | 2,305 | 2,307 | - | - |
| | | 353,905 | 104,770 | 12,220 | (12,816) |

cash flow statements

for the financial year ended
31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

| | Note | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|------|----------------|-------------------------|----------------|---------------------------|
| Changes in working capital: | | | | | |
| Inventories | | (4,125) | 3,294 | - | - |
| Trade and other receivables | | (140,857) | 331,367 | (109,768) | 272,426 |
| Trade and other payables | | (17,665) | (49,753) | 46,387 | 23,551 |
| Designated accounts | | 444 | (674) | - | - |
| Cash generated from / (used in) operations | | 191,702 | 389,004 | (51,161) | 283,161 |
| Income taxes paid | | (23,494) | (14,625) | (9,784) | (7,335) |
| Mining exploration expenditure | | (69) | (1,322) | (69) | (1,322) |
| Retirement benefits paid | | (132) | (356) | - | - |
| Net cash flow generated from / (used in) operating activities | | 168,007 | 372,701 | (61,014) | 274,504 |
| INVESTING ACTIVITIES | | | | | |
| Acquisition of subsidiaries | 12 | (16,975) | (567,342) | (22,822) | (769,812) |
| Net cash inflow on disposals of a subsidiary | 12 | 388 | - | - | - |
| Dividends received from: | | | | | |
| - subsidiaries | | - | - | 78,292 | 77,185 |
| - associates | | 36,182 | 36,837 | 5,054 | 5,616 |
| - others | | 30,964 | 27,862 | - | - |
| Interest received | | 16,275 | 19,233 | 4,112 | 9,137 |
| Proceeds from sale of shares in associate | | 7,167 | - | 7,167 | - |
| Proceeds from sale of investments | | - | 25,837 | - | - |
| Proceeds from sale of property, plant and equipment | | 2,484 | 595 | 86 | 68 |
| Purchase of investment in associates | | (383,353) | (22,860) | - | - |
| Proceeds on right issues by minority shareholders in subsidiary | | 73,746 | - | - | - |
| Subscription of right issues in subsidiary | | - | - | (80,991) | - |
| Purchase of investments | | (712) | (4,552) | - | - |
| Purchase of property, plant and equipment | | (296,595) | (133,417) | (2,928) | (1,886) |
| Capital contributions received | | 48 | 96 | - | - |
| Pledged deposits | | 704 | (726) | - | - |
| Net cash flow used in investing activities | | (529,677) | (618,437) | (12,030) | (679,692) |

cash flow statements

for the financial year ended
31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

| | Note | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|---|------|----------------|-------------------------|----------------|---------------------------|
| FINANCING ACTIVITIES | | | | | |
| Dividends paid | | (35,557) | (18,060) | (35,557) | (18,060) |
| Dividends paid to minority interests of subsidiaries | | (11,262) | (10,233) | - | - |
| Interest paid | | (160,294) | (42,730) | (37,555) | (14,246) |
| Amounts due from: | | | | | |
| - subsidiaries | | - | - | (17,493) | 55,491 |
| - associates | | (5,000) | (919) | (5,000) | (1,396) |
| Amounts due to: | | | | | |
| - subsidiaries | | - | - | (33,778) | (391,593) |
| Borrowings | | | | | |
| - new drawdown | | 499,742 | 856,001 | 211,990 | 800,000 |
| - repayment | | (175,000) | (63,282) | - | (50,000) |
| Repayment of lease financing | | (2,343) | - | - | - |
| Advance payment for redeemable convertible subordinated loans | | - | (338,582) | - | - |
| Net cash flow generated from financing activities | | 110,286 | 382,195 | 82,607 | 380,196 |
| Net (decrease)/increase in cash and cash equivalents | | (251,384) | 136,459 | 9,563 | (24,992) |
| Foreign exchange differences on opening balances | | 869 | 1,278 | - | - |
| Cash and cash equivalents at beginning of financial year | | 499,999 | 362,262 | 19,302 | 44,294 |
| Cash and cash equivalents at end of financial year | | 249,484 | 499,999 | 28,865 | 19,302 |
| Cash and cash equivalents comprise: | | | | | |
| Cash and bank balances | | 12,308 | 13,460 | 611 | 592 |
| Deposits | | 239,222 | 488,304 | 28,254 | 18,710 |
| Bank overdrafts | | (1,794) | (365) | - | - |
| | | 249,736 | 501,399 | 28,865 | 19,302 |
| Less: | | | | | |
| Designated accounts (Note 24) | | (230) | (674) | - | - |
| Deposits pledged for banking facilities | | (22) | (726) | - | - |
| | | 249,484 | 499,999 | 28,865 | 19,302 |

Included in the deposits of the Group is:

- (a) an amount of RM230,000 (2003: RM674,000) being assigned as Designated Accounts for the loans as disclosed in Note 24; and
- (b) deposits of RM22,000 (2003: RM726,000) which are pledged for certain bank facilities.

summary of significant accounting policies

for the financial year ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous financial years except as indicated below.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention (as modified for the revaluation of land and buildings) in this summary of significant accounting policies, and are in compliance with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia.

The new applicable approved accounting standards adopted in these financial statements are as follows:

- MASB 25 "Income Taxes"
- MASB 27 "Borrowing Costs"
- MASB 28 "Discontinuing Operations"
- MASB 29 "Employee Benefits"

With the exception of MASB 25, there are no changes in accounting policy that affect net profit or shareholders' equity as the Group was already following the recognition and measurement principles in those standards, as disclosed in Note 36.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and the applicable approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

(b) Basis of consolidation

Subsidiaries are those corporations in which the Group has power to exercise control over the financial and operation policies so as to obtain benefits from their activities.

Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or negative goodwill. Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(b) Basis of consolidation (continued)

In a piecemeal acquisition, the fair value adjustment attributable to previously held equity interests is accounted for as post acquisition revaluation. Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

(c) Associates

Associates are enterprises in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of associates and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated amortisation). Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(d) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties. The Group's interests in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated amortisation).

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Revaluation of certain properties in 1988 was carried out primarily as a one-off exercise and was not intended to effect a change in the accounting policy to one of revaluation of properties.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note (g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(f) Depreciation

Depreciation on non-mining assets is provided at rates, which are considered adequate to write off property, plant and equipment over their estimated useful lives. No amortisation is provided on freehold land while leasehold land is amortised over the period of the lease. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Depreciation and depletion on mining assets is calculated by reference to output for the financial year so as to write off these assets, less estimated residual value, over the estimated life of the ore reserves, which will be worked before the expiry of the leases.

Expressway development expenditure comprises development and upgrading expenditure (including interest charges relating to financing of the development) incurred in connection with a privatised highway project. The cumulative actual expenditure incurred is amortised to each balance sheet date over the concession period.

The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

| | |
|--------------------------------|----------------|
| Buildings | 2% |
| Plant, machinery and equipment | 10% to 33 1/3% |
| Pipelines system | 20 to 30 years |

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(f) Depreciation (continued)

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(g) Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(h) Investments

Investments in subsidiaries, joint controlled entities and associates are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note (g) on impairment of assets.

Investments in other non-current investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities, within current assets are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are credited/charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(i) Mining exploration expenditure

Expenditure on exploration and evaluation of mining areas of interest is charged to the income statement as incurred until such time as an area of interest reaches the stage where such expenditure is considered to be capable of being recouped through development or sale.

Where a mining area of interest is expected to proceed to commercial development or where its value is capable of recoupment through sale, the deferred expenditure relating to the expenditure incurred is credited to the income statement to the extent it reflects the present estimate of the recoverable value of the area of interest concerned. The accumulated expenditure attributable to an area of interest that is no longer considered to have any commercial value is written off against the deferred expenditure.

(j) Construction, engineering and fabrication contracts

When the outcome of a construction or engineering and fabrication contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method.

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. For contracts which are dependant on the achievement of specific milestones, contract revenue and costs are recognised when the relevant milestone are achieved.

When the outcome of such a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

Irrespective whether the outcome of a construction or engineering and fabrication contract can be estimated reliably, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where cost incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amounts due from contract customers under trade and other receivables (within current assets). Where progress billings exceed cost incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to contract customers under trade and other payables (within current liabilities).

(k) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's shares of their net identifiable assets at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(k) Goodwill (continued)

Goodwill on acquisition of subsidiaries are amortised using the straight line method over its estimated useful life of between 17 to 52 years.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates and is not amortised.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer accounting policy Note (g) on impairment of assets.

(l) Prepayment against future revenues

Expenditure incurred in developing pipelines over the five years base period which is considered to give significant future benefits is deferred and considered a prepayment against future revenues and is expensed from 1993/1994 (the first full year of operation) on the basis of thirty years, the estimated useful life of the pipelines system.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value with cost being determined either on the first-in, first-out or weighted average cost basis. Cost includes expenditure incurred in bringing the inventories to their present form and location. For work in progress and manufactured inventories, cost consists of materials, direct labour, other direct cost and an appropriate proportion of fixed and variable production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(n) Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the period end. The allowance is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount. Bad debts are written off when identified.

(o) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits held at call with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to 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 and pledged deposits.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(p) Taxation

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary, associate or joint venture on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax liabilities and/or assets are recognised, using the liability method, for all temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax liability in respect of asset revaluations is also recognised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint venture except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses, non monetary benefits, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post employment benefits

Defined contribution plans

A defined contribution plan is a plan under which the Group pays fixed contributions into Employees Provident Fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee services in the current and prior periods.

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

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(r) Employee benefits (continued)

(ii) Post employment benefits (continued)

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability in respect of defined benefit plan is the present value of the defined benefit obligations at the balance sheet date. The scheme is applicable to unionised employees of a subsidiary and extended to other full time employees of that subsidiary. The benefits payable on retirement are based on last drawn monthly basic salary and length of service. The cost of providing retirement benefits is charged to income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan once every three years. The Group determines the present value of the defined benefit obligation such that the amounts recognised in the financial statements do not differ materially from the amount that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with MASB 29 and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Retirement benefits were last valued on 31 January 2004 by an independent qualified actuary using the projected unit credit method.

(s) Revenue recognition

(i) Sales of goods and services

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales tax and discount and after eliminating sales within the Group.

(ii) Construction contracts

(a) Fixed price contracts

Revenue from fixed price contracts where a fixed contract price is agreed upon are recognised under the percentage of completion method or the achievement of specific milestones.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(s) Revenue recognition (continued)

(ii) Construction contracts (continued)

(b) Cost plus contracts

Cost plus contracts where reimbursements are made on costs incurred for works carried out on an agreed contract rate, are recognised as revenue attributed to the proportion of work done progressively over the duration of the contracts.

(c) Profit guarantee contracts

Revenue from profit guarantee contracts are recognised based on fixed percentage on the billings made by the main contractor to the client.

(iii) Port operations, repairing and cleaning containers

Income from port operations, repair, preparation and trade of containers and containerisation system are recognised upon performance of services.

(iv) Sales of gas

Revenue from sale of gas represents gas consumption by customers and is measured at the value invoiced to customers during the year.

(v) Toll collections

Revenue is recognised upon receipt of toll collections. Toll compensation for concession year is recognised when receipt is probable and the amount that is receivable can be measured reliably.

(vi) Dividend income

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

(vii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(viii) Rental income

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

(t) Finance costs

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note (x), are expensed as incurred. The interest component of finance lease and hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

(u) Foreign currencies

(i) Reporting currency

The financial statements are presented in Ringgit Malaysia.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(u) Foreign currencies (continued)

(ii) Foreign entities

The Group's foreign entities are those entities with operations that are not an integral part of the operations of the Group. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the balance sheets are translated at exchange rates ruling at the balance sheet date. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Non monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. On deemed disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

(iii) Foreign currency transactions and balances

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

(iv) Closing rates

The principal closing rates used in translation of foreign currency amounts and monetary assets and liabilities in the financial statements of foreign entities are as follows:

| | <u>2004</u> | <u>2003</u> |
|---------------------|-------------|-------------|
| | RM | RM |
| 1 US Dollar | 3.80 | 3.80 |
| 1 Australian Dollar | 2.93 | 2.24 |
| 1 Euro Dollar | 4.75 | 4.11 |
| 1 Singapore Dollar | 2.24 | 2.19 |
| 1 Pound Sterling | 6.91 | 6.25 |
| 100 Japanese Yen | 3.59 | 3.20 |

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(v) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial assets from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy notes associated with each item.

(iii) Fair value estimation for disclosure purposes

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair values for financial assets and liabilities with a maturity of more than one year are estimated using a variety of methods and assumptions that are based on market conditions existing at each balance sheet date including estimated discounted value of future cash flows, quoted market price or dealer quotes.

(w) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

summary of significant accounting policies

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

(x) Borrowings

Borrowings are stated at cost.

Borrowing costs incurred to finance the construction contracts are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs will cease when the asset is ready for its intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing cost applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing the construction contracts, in which case the actual borrowing cost incurred on the borrowing less any investment income on the temporary investment of that borrowing will be capitalised.

(y) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

(z) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the lease period.

notes to the financial statements

for the financial year ended 31 January 2004

MALAYSIA MINING CORPORATION BERHAD

1 CORPORATE INFORMATION

The principal activities of the Company are investment holding, construction of and undertaking mining and mineral exploration activities.

The principal activities of the Group consist of property and investment holding, construction, supply and distribution of natural and liquefied gas, manufacturing, civil and specialised engineering, construction and operation of privatised highway, port operations, fabrication, mine management, erection of power transmission lines, power generation and design and building of public light rail system.

There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Group and the Company as at 31 January 2004 was 2,798 (2003: 2,761) and 137 (2003: 118) respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Malaysia Securities Exchange Board. The registered office of the Company is located at 10th Floor, Block B, Wisma Semantan, No.12, Jalan Gelenggang, Bukit Damansara, 50490 Kuala Lumpur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 March 2004.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

The Group uses instruments such as foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

(a) Foreign currency exchange risk

The Group is exposed to minimal foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia.

The Group also maintains a natural hedge by maintaining foreign currency denominated cash reserves in an offshore licensed bank account to fund any potential future cash outflows arising from its business operations in foreign countries.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits denominated in Ringgit Malaysia, and are managed through the use of fixed and floating rates.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Market risk

The Group's operations are subject to market risk factors inherent within the industries which include ability to procure new projects and to maintain its existing market share in the future. These are prevalent for all economic entities and any change in these will adversely affect the overall performance of Group's business. For major purchases of materials for projects, the Group establishes floating and fixed price levels in accordance with a budget that the Group considers acceptable and enters into a physical supply agreement, where necessary, to achieve these levels.

(d) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by ensuring its customers have sound financial standing and credit history.

(e) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

3 REVENUE

| | 2004 | Group | 2004 | Company |
|---------------------------|------------------|----------------|----------------|----------------|
| | RM'000 | 2003 RM'000 | RM'000 | 2003 RM'000 |
| Revenue: | | | | |
| - contract revenue | 250,329 | 166,487 | 158,232 | - |
| - sale of goods and gas | 440,965 | 466,772 | - | - |
| - services | 37,281 | 21,553 | - | - |
| - port operations | 377,744 | 29,057 | - | - |
| - toll collections* | 30,315 | 18,152 | - | - |
| - dividends (Note 6 (ii)) | 30,964 | 27,862 | 93,129 | 82,801 |
| | 1,167,598 | 729,883 | 251,361 | 82,801 |

* Included in the toll collections is a compensation amount of RM10.7 million receivable from the Government of Malaysia, for loss of toll collections in calendar years 2001 and 2002 as the Government imposed toll which is lower than the agreed toll rate as stated in the Concession Agreement between the Government and a subsidiary.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

4 COST OF SALES

| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
|--|------------------|------------------|------------------|-------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Contract cost recognised as an expense | (207,298) | (98,155) | (133,920) | - |
| Cost of goods and gas sold | (356,673) | (397,908) | - | - |
| Cost of services | (24,324) | (29,068) | - | - |
| Cost of port operations | (132,958) | (12,513) | - | - |
| Cost of toll collections | (9,979) | (7,262) | - | - |
| | (731,232) | (544,906) | (133,920) | - |

5 CONTINUING AND DISCONTINUING OPERATIONS AND DILUTION OF INTEREST

(a) Continuing operations

- (i) On 6 June 2003, a 74.99% subsidiary, MMC Engineering Group Berhad ("MMCEG") acquired the remaining 50% equity interest in MMC-GTM Bina Sama Sdn Bhd, representing 2,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM3.167 million, making it a wholly owned subsidiary of MMCEG.

The effect of the acquisition of MMC-GTM Bina Sama Sdn Bhd on the financial results of the Group for the financial year is as follows:

| | | | <u>2004</u> | <u>2003</u> |
|---|------------------------------|------------------------------|-------------------------|------------------------------|
| | As an associate RM'000 | As a subsidiary RM'000 | Total RM'000 | As an associate RM'000 |
| Profit after tax | 49 | 664 | 713 | <u>788</u> |
| Less: Group's share of net profit had the Group not acquired the additional interest | (49) | (332) | (381) | |
| Increase in the Group's net profit at the end of the financial year | - | 332 | 332 | |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

5 CONTINUING, DISCONTINUING OPERATIONS AND DILUTION OF INTEREST (continued)

(a) Continuing operations (continued)

- (ii) The effect of the acquisition of the remaining 25.00% equity interest in MMC Engineering Group Berhad ("MMCEG") during the financial year, pursuant to the Voluntary General Offer on the remaining 7,910,268 ordinary shares of RM1.00 each, for a total consideration of RM34,010,000 million satisfied by the issuance of 5,203,836 ordinary shares of RM0.10 each at RM2.15 per share of the Company amounting to RM11,188,247 and cash consideration of RM22,822,000 is as follows:

| | As a 74.99% subsidiary RM'000 | As a 99.99% subsidiary RM'000 | <u>2004</u> Total RM'000 | <u>2003</u> Total RM'000 |
|---|----------------------------------|----------------------------------|---------------------------------------|--------------------------------|
| (Loss)/profit attributable to shareholders | (1,405) | 4,881 | 3,476 | <u>6,247</u> |
| Less: Group's share of net (loss)/profit had the Group not acquired the additional 25% interest | 1,405 | (3,661) | (2,256) | |
| Increase in the Group's net profit at the end of the financial year | - | 1,220 | 1,220 | |

(b) Discontinuing operations

- (i) During the current financial year, the Group deconsolidated the results of its wholly owned subsidiary, MMCAK Sdn Bhd following confirmation that the High Court of Malaya has granted an order to wind-up the company. The company is involved in civil construction works and operates principally in Malaysia. The effect of the deconsolidation is disclosed in Note 36(ii).
- (ii) On 9 May 2003, the Group disposed off the entire equity interest in Kilang Papan Bukit Indah Sdn Bhd for a cash consideration of RM388,888. The company is involved in rental of sawmill and operates principally in Malaysia. The effect of the disposal is immaterial to the financial results of the Group.
- (iii) Pursuant to the Government Gazette, Electronic Edition dated 11 December 2003, the Group's 75.8% owned subsidiary, Singapore Steel Private Limited was struck off from the Register of Companies pursuant to subsection(4) of Section 344 of the Companies Act of Singapore, effective 21 November 2003. The effect of the deconsolidation is immaterial to the financial results of the Group.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

5 CONTINUING, DISCONTINUING OPERATIONS AND DILUTION OF INTEREST (continued)

(c) Dilution of interest in subsidiaries to that of associates

On 12 December 2003, Tronoh Mines Malaysia Berhad ("TMMB"), a 52.3% owned subsidiary, acquired the entire issued and paid up share capital of Zelan Holdings (M) Sdn Bhd, comprising 5,000,000 ordinary shares of RM1.00 each, for a purchase consideration of RM140,000,000. Following the acquisition, the Group's effective equity interest in TMMB was reduced to 39.2%. The Group now considers TMMB and its subsidiaries, to be associated companies.

The effect of the dilution of interest in Tronoh Mines (Malaysia) Berhad, Golden Solitaire (Australia) B. V. and Associated Mines (Malaya) Sdn Bhd up to 12 December 2003 is as follows:

| | As a subsidiary RM'000 | As an associate RM'000 | 2004 Total RM'000 | 2003 As a subsidiary RM'000 |
|--|------------------------------|------------------------------|--|---|
| Revenue | 139 | - | 139 | 26 |
| Operating costs | (1,436) | - | (1,436) | (9,350) |
| Loss from operations | (1,297) | - | (1,297) | (9,324) |
| Other income | 12,645 | - | 12,645 | 8,734 |
| Finance costs | (1,380) | - | (1,380) | - |
| Share of results of associates | - | 8,264 | 8,264 | 16,583 |
| Profit before tax | 9,968 | 8,264 | 18,232 | 15,993 |
| Taxation | (1,147) | (1,516) | (2,663) | (2,098) |
| Profit after tax | 8,821 | 6,748 | 15,569 | 13,895 |
| Minority interest | (4,208) | - | (4,208) | |
| Less: Group's share of net profit had there not been a dilution of interest | (4,613) | (6,364) | (10,977) | |
| Increase in the Group's net profit at the end of the financial year | - | 384 | 384 | |

The effects of acquisitions and disposals of associates and subsidiaries on the financial position of the Group and the Company are further disclosed in Note 12 to the financial statements.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

6 PROFIT FROM OPERATIONS

| | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|----------------|-------------------------|----------------|---------------------------|
| (i) Profit from operations is stated after charging: | | | | |
| Allowance for mining exploration expenditure | 69 | 1,322 | 69 | 1,322 |
| Auditors' remuneration: | | | | |
| - Malaysia | 510 | 482 | 65 | 50 |
| - Overseas | 15 | 15 | - | - |
| Depreciation | 142,208 | 39,461 | 2,753 | 2,089 |
| Allowance for claim and foreseeable losses | 900 | 2,714 | - | - |
| Allowance for doubtful debts | 9,976 | 4,381 | - | - |
| Allowance for slow moving inventories | 144 | 808 | - | - |
| Unrealised loss on foreign exchange | - | 116 | - | - |
| Impairment losses of property, plant and equipment | 1,311 | 290 | - | - |
| Property, plant and equipment written off | 202 | 776 | - | 15 |
| Provision for retirement benefit | 104 | 86 | - | - |
| Inventories written off | 219 | 302 | - | - |
| Hire of plant and machinery | 17,321 | 856 | - | 98 |
| Reversal of prepayment against future revenues (Note 18(b)) | 2,305 | 2,307 | - | - |
| Rent of land and buildings | 7,931 | 3,116 | 1,506 | 984 |
| and crediting: | | | | |
| Realised gain on foreign exchange | 2,065 | 118 | 2,783 | - |
| Unrealised gain on foreign exchange | 577 | - | - | 99 |
| Reversal of allowance for slow moving inventories | 16 | 132 | - | - |
| Gain on disposal of property, plant and equipment | 1,420 | 472 | 86 | 20 |
| Rental income | 612 | 2,580 | 41 | 86 |
| Reversal of allowance for foreseeable losses and claims | 661 | 684 | - | - |
| Write back of allowance for doubtful debts | 12,508 | 12,373 | - | - |
| Bad debts recovered | - | 2,895 | - | - |
| Interest income | 16,275 | 19,233 | 4,112 | 9,137 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

6 PROFIT FROM OPERATIONS (continued)

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|-------------------------------------|-------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (ii) Gross dividend income is from: | | | | |
| Investments quoted in Malaysia | 30,964 | 27,711 | - | - |
| Investments quoted outside Malaysia | - | 151 | - | - |
| Associates: | | | | |
| Quoted in Malaysia | - | - | 5,054 | 5,616 |
| Subsidiaries: | | | | |
| Quoted in Malaysia | - | - | 2,592 | 2,592 |
| Unquoted in Malaysia | - | - | 85,483 | 74,593 |
| | 30,964 | 27,862 | 93,129 | 82,801 |

(iii) Directors' remuneration:

The aggregate amount of emoluments receivable by Directors of the Company during the financial year was as follows:

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|---|-------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company | | | | |
| Non-executive directors: | | | | |
| - fees | 909 | 721 | 618 | 430 |
| - salaries and other emoluments | 244 | 183 | 86 | 123 |
| - estimated money value of benefits-in-kind | 40 | 30 | 19 | 19 |
| Executive directors: | | | | |
| - salaries and other emoluments | 1,580 | 281 | 740 | 281 |
| - defined contribution plan | 216 | 41 | 126 | 41 |
| - estimated money value of benefits-in-kind | 114 | 13 | 102 | 13 |
| | 3,103 | 1,269 | 1,691 | 907 |

(iv) Staff costs

| | | | | |
|---------------------------|---------|--------|-------|-------|
| Wages, salaries and bonus | 100,543 | 51,888 | 5,804 | 5,750 |
| Defined contribution plan | 9,177 | 6,189 | 634 | 690 |
| Defined benefit plan | 104 | 86 | - | - |
| Other employee benefits | 1,891 | 1,949 | 386 | 413 |
| | 111,715 | 60,112 | 6,824 | 6,772 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

7 FINANCE COST

| | <u>2004</u> | <u>Group</u> <u>2003</u> | <u>2004</u> | <u>Company</u> <u>2003</u> |
|------------------|----------------|-----------------------------|---------------|-------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bank overdraft | 71 | 159 | - | - |
| Revolving credit | 4,834 | 323 | 857 | - |
| Hire purchase | 3 | - | - | - |
| Term loans | 179,410 | 42,248 | 47,732 | 14,246 |
| | 184,318 | 42,730 | 48,589 | 14,246 |

8 TAX EXPENSE

| | | | | |
|---|---------------|---------|---------------|---|
| Current tax: | | | | |
| - Current year Malaysian tax | 14,200 | 17,958 | - | - |
| - (Over)/under accrual in prior years (net) | (6,950) | (7,591) | 18,495 | - |
| | 7,250 | 10,367 | 18,495 | - |
| Deferred tax (Note 20): | | | | |
| - Origination and reversal of temporary differences | 18,471 | 10,633 | - | - |
| | 25,721 | 21,000 | 18,495 | - |
| Tax expense on share of profit of associates | 49,372 | 42,742 | - | - |
| | 75,093 | 63,742 | 18,495 | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

8 TAX EXPENSE (continued)

The explanation of the relationship between tax expense and profit before taxation is as follows:

| | 2004 | Group | 2004 | Company |
|--|----------------|-------------|-----------------|-------------|
| | RM'000 | 2003 | RM'000 | 2003 |
| | | RM'000 | | RM'000 |
| Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate | | | | |
| Profit before taxation | 220,467 | 205,376 | 60,065 | 53,471 |
| Tax calculated at the Malaysia tax rate of 28% (2003 : 28%) | 61,731 | 57,505 | 16,818 | 14,972 |
| Tax effects of: | | | | |
| - expenses not deductible for tax purposes | 22,750 | 20,233 | 2,051 | 5,833 |
| - income exempted from tax | (798) | (924) | (17,090) | (20,774) |
| - income not subject to tax | (3,919) | (3,757) | (1,779) | (31) |
| - deductible temporary differences not recognised in prior years | (563) | (760) | - | - |
| - difference in SME tax rate of 20% and corporate tax rate of 28% | (49) | (16) | - | - |
| - expenses eligible for further deductions | (280) | - | - | - |
| - tax savings on utilisation of increased export allowance | - | (389) | - | - |
| - current year's deductible temporary differences not recognised | 1,579 | 738 | - | - |
| - others | 1,592 | (1,297) | - | - |
| (Over)/under accrual in prior years (net) | (6,950) | (7,591) | 18,495 | - |
| Tax expense | 75,093 | 63,742 | 18,495 | - |

9 BASIC EARNINGS PER ORDINARY SHARE - GROUP

The calculation of basic earnings per share is based on the net profit for the financial year of RM116.151 million (2003: RM110.674 million) and the weighted average number of ordinary shares outstanding during the financial year of 1,123.711 million (2003: 859.912 million) ordinary shares.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

10 DIVIDENDS

| | Group and Company | |
|--|-------------------|---------------|
| | <u>2004</u> | <u>2003</u> |
| | RM'000 | RM'000 |
| Ordinary: | | |
| Interim: | | |
| Nil sen per share, less 28% tax | | |
| (2003 - 1.0 sen per share, less 28% tax) | - | 6,020 |
| Final proposed: | | |
| 3.0 sen per share, less 28% tax | | |
| (2003 - 3.0 sen per share, less 28% tax) | 24,335 | 24,305 |
| 2.0 sen per share, tax exempt | | |
| (2003 - 1.0 sen per share, tax exempt) | 22,532 | 11,252 |
| | 46,867 | 41,577 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 January 2004 of 3.0 sen per share less 28% income tax and 2.0 sen per share, tax exempt on 1,126,613,046 ordinary shares, amounting to a dividend payable of RM46,867,103 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 January 2005.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

11 PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold properties RM'000 | Long term leasehold properties RM'000 | Short term leasehold properties RM'000 | Mining leases properties RM'000 | Plant machinery, dredges and other mining equipment RM'000 | Expressway development expenditure RM'000 | Pipeline RM'000 | Capital work in progress RM'000 | Total RM'000 |
|---------------------------------|-------------------------------|--|---|------------------------------------|---|--|--------------------|------------------------------------|------------------|
| <u>Net book value</u> | | | | | | | | | |
| At 1 February 2003 | 47,325 | 1,463,923 | 7,370 | 1,307 | 764,772 | 285,467 | 292,205 | 121,763 | 2,984,132 |
| Acquisition of subsidiary | 1,680 | - | - | - | 778 | - | - | - | 2,458 |
| Additions | - | 23,111 | 34 | - | 36,460 | - | 45 | 236,945 | 296,595 |
| Disposals | - | (162) | - | - | (244) | - | (658) | - | (1,064) |
| Capital contribution received | - | - | - | - | - | - | (48) | - | (48) |
| Transfer | 369 | - | - | - | 24,455 | - | 92,098 | (116,922) | - |
| Write off | - | - | - | - | (202) | - | - | - | (202) |
| Impairment loss | - | (1,311) | - | - | - | - | - | - | (1,311) |
| Depreciation (Note 6) | (451) | (30,855) | (612) | - | (91,182) | (5,983) | (13,256) | - | (142,339) |
| Deemed disposal of subsidiaries | - | - | - | (624) | (114) | - | - | - | (738) |
| Disposal of subsidiary | - | - | - | - | (198) | - | - | - | (198) |
| At 31 January 2004 | 48,923 | 1,454,706 | 6,792 | 683 | 734,525 | 279,484 | 370,386 | 241,786 | 3,137,285 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

11 PROPERTY, PLANT AND EQUIPMENT (continued)

| Group | Freehold properties RM'000 | Long term leasehold properties RM'000 | Short term leasehold properties RM'000 | Mining leases properties RM'000 | Plant machinery, dredges and other mining equipment RM'000 | Expressway development expenditure RM'000 | Pipeline RM'000 | Capital work in progress RM'000 | Total RM'000 |
|--------------------------------------|-------------------------------|--|---|------------------------------------|---|--|--------------------|------------------------------------|------------------|
| At 31 January 2004 | | | | | | | | | |
| Cost | 26,769 | 1,489,332 | 10,274 | 683 | 968,566 | 306,050 | 427,236 | 241,786 | 3,470,696 |
| Valuation | 25,610 | 1,726 | 500 | - | - | - | - | - | 27,836 |
| Accumulated depreciation | (3,456) | (34,751) | (3,982) | - | (234,041) | (26,566) | (56,850) | - | (359,646) |
| Accumulated impairment losses | - | (1,601) | - | - | - | - | - | - | (1,601) |
| Net book value | 48,923 | 1,454,706 | 6,792 | 683 | 734,525 | 279,484 | 370,386 | 241,786 | 3,137,285 |
| At 31 January 2003 | | | | | | | | | |
| Cost | 24,720 | 1,466,335 | 10,240 | 1,307 | 907,631 | 306,050 | 335,799 | 121,763 | 3,173,845 |
| Valuation | 25,610 | 1,726 | 500 | - | - | - | - | - | 27,836 |
| Accumulated depreciation | (3,005) | (3,848) | (3,370) | - | (142,859) | (20,583) | (43,594) | - | (217,259) |
| Accumulated impairment losses | - | (290) | - | - | - | - | - | - | (290) |
| Net book value | 47,325 | 1,463,923 | 7,370 | 1,307 | 764,772 | 285,467 | 292,205 | 121,763 | 2,984,132 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

11 PROPERTY, PLANT AND EQUIPMENT (continued)

| | Freehold properties RM'000 | Long term leasehold properties RM'000 | Mining leases, properties and building RM'000 | Plant, machinery and equipment RM'000 | Total RM'000 |
|---------------------------------|----------------------------------|---|--|---|-----------------|
| Company | | | | | |
| <u>Net book value</u> | | | | | |
| At 1 February 2003 | 826 | 4,891 | 347 | 5,232 | 11,296 |
| Additions | - | - | - | 2,928 | 2,928 |
| Depreciation (Note 6) | - | (57) | - | (2,696) | (2,753) |
| At 31 January 2004 | 826 | 4,834 | 347 | 5,464 | 11,471 |
| <u>At 31 January 2004</u> | | | | | |
| Cost | 826 | 4,115 | 347 | 16,002 | 21,290 |
| Valuation | - | 1,506 | - | - | 1,506 |
| Accumulated depreciation | - | (787) | - | (10,538) | (11,325) |
| Net book value | 826 | 4,834 | 347 | 5,464 | 11,471 |
| <u>At 31 January 2003</u> | | | | | |
| Cost | 826 | 4,115 | 347 | 13,074 | 18,362 |
| Valuation | - | 1,506 | - | - | 1,506 |
| Accumulated depreciation | - | (730) | - | (7,842) | (8,572) |
| Net book value | 826 | 4,891 | 347 | 5,232 | 11,296 |

Certain of the Group's properties and the Company's leasehold properties in Malaysia are stated based on a professional valuation conducted in February 1988 using the open market basis. The valuation was a one-off exercise and was not intended to effect a change in the accounting policy to one of revaluation of properties.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Had the revalued properties been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the financial year would be as follows:

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|---------------------------------|--------------|----------------------|--------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Freehold properties | 672 | 672 | - | - |
| Long term leasehold properties | 1,465 | 1,493 | 1,465 | 1,493 |
| Short term leasehold properties | 56 | 56 | - | - |
| | 2,193 | 2,221 | 1,465 | 1,493 |

Tin mining related property, plant and equipment and property, plant and equipment of a subsidiary which ceased operations, are stated at their estimated realisable values.

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|--|------------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net book values of assets pledged as security for borrowings (Note 24) | 2,434,961 | 2,143,371 | - | - |
| Assets under finance leases | | | | |
| Plant, machinery and equipment | | | | |
| - net book value at end of financial year | - | 3,941 | - | - |

12 INVESTMENTS IN SUBSIDIARIES

| | <u>2004</u> | Company <u>2003</u> |
|--|------------------|------------------------|
| | RM'000 | RM'000 |
| Shares quoted in Malaysia | 2,094 | 77,856 |
| Unquoted shares | 2,539,783 | 2,416,758 |
| | 2,541,877 | 2,494,614 |
| Less: Accumulated impairment losses of unquoted shares | (12,274) | (12,274) |
| | 2,529,603 | 2,482,340 |
| Market value of quoted investments: | | |
| Quoted in Malaysia | 18,850 | 178,446 |

Details of the Group's subsidiary companies are shown in Note 37.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

12 INVESTMENTS IN SUBSIDIARIES (continued)

- (a) Acquisition of subsidiaries:
- (i) On 7 July 2003, MMC Engineering Group Berhad, a subsidiary company, completed its acquisition of the remaining 50% equity interest in MMC-GTM Bina Sama Sdn Bhd, representing 2,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM3,167,000, making it a wholly owned subsidiary of MMC Engineering Group Berhad.
- (ii) During the financial year, pursuant to the Voluntary General Offer, the Company acquired 7,910,268 ordinary shares of RM1.00 each in MMC Engineering Group Berhad, representing approximately 25.00% of the issued and fully paid-up share capital of MMC Engineering Group Berhad for a total consideration of RM34,010,000 satisfied by the issuance of 5,203,836 ordinary shares of RM0.10 each at RM2.15 per share amounting to RM11,188,247 of the Company and cash consideration of RM22,821,753. On completion of the Voluntary General Offer, the Company, as at financial year end held approximately 99.99% of the issued and fully paid-up share capital of MMC Engineering Group Berhad.

The summary of the effects of the acquisitions of both MMC-GTM Bina Sama Sdn Bhd and MMC Engineering Group Berhad on the financial position of the Group is as follows:

| | <u>As at 31 January 2004</u> |
|--|-------------------------------------|
| | RM'000 |
| Non current assets | 38,933 |
| Current assets | 59,411 |
| Current liabilities | (42,390) |
| Non current liabilities | (3,186) |
| Net assets acquired | 52,768 |
| Minority interest | (5) |
| Group's share of net assets | 52,763 |
| Less: Amount previously recognised prior to additional acquisition of shares in subsidiary | (28,633) |
| Less: Amount accounted for as an associate | (3,461) |
| Less: Group's share of profit had the Group not acquired the additional shares | (1,552) |
| Goodwill on acquisition net of amortisation | 19,612 |
| Increase in Group's net assets | 38,729 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

12 INVESTMENTS IN SUBSIDIARIES (continued)

The fair value of the net assets acquired, goodwill and cash flow arising from the acquisition of both MMC-GTM Bina Sama Sdn Bhd and MMC Engineering Group Berhad are as follows:

Net assets acquired:

| | <u>As at date of acquisition</u> |
|--|----------------------------------|
| | RM'000 |
| Non current assets | 15,921 |
| Current assets | 44,392 |
| Current liabilities | (33,257) |
| Non current liabilities | (3,057) |
| Group share of fair value of net assets | 23,999 |
| Less: Amount accounted for as an associate | (3,461) |
| Less: Minority interest | (3,484) |
| Goodwill on acquisition | 20,123 |
| Total consideration | 37,177 |
| Satisfied by: | |
| Cash | 25,989 |
| Shares issued | 11,188 |
| Total consideration | 37,177 |
| Net cash outflow arising on acquisition: | |
| Cash consideration | 25,989 |
| Cash and cash equivalents of subsidiaries acquired | (9,014) |
| Cash outflow of the Group on acquisition of subsidiaries | 16,975 |
| Cash outflow of the Company on acquisition of a subsidiary | 22,822 |

The calculation of fair value on net assets acquired is based on the net book value. The Directors had reviewed the estimated fair value based on the net book value at date of acquisition and were of the opinion that the calculation is fairly stated.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

12 INVESTMENTS IN SUBSIDIARIES (continued)

(b) Disposal and deconsolidation of subsidiaries:

- (i) During the financial year, MMC Engineering Group Berhad deconsolidated its wholly owned subsidiary, MMCAK Sdn Bhd ("MMCAK") following confirmation that the High Court of Malaya has granted an order to wind-up MMCAK. The deconsolidation of MMCAK has been accounted for as a prior year adjustment as referred to in Note 36 (ii).
- (ii) On 9 May 2003, the Company's wholly owned subsidiary, MMC Marketing Sdn Bhd, disposed off 200,003 ordinary shares of RM1.00 each representing the entire issued and fully paid-up share capital in Kilang Papan Bukit Indah Sdn Bhd for a disposal proceed of RM388,888.

The net assets of the subsidiary disposed were as follows:

| Net assets disposed: | <u>As at date of disposal</u> |
|--------------------------------------|-------------------------------|
| | RM'000 |
| Property, plant and equipment | 198 |
| Current liabilities | (204) |
| Net liabilities at disposal date | (6) |
| Gain on disposal | 394 |
| Total consideration | 388 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 388 |

- (iii) During the financial year, pursuant to the Government Gazette, Electronic Edition dated 11 December 2003, the Group's 75.8% owned subsidiary, Singapore Steel Private Limited was struck off from the Register of Companies pursuant to subsection(4) of Section 344 of the Companies Act of Singapore, effective 21 November 2003. The effect of the deconsolidation of the subsidiary is immaterial to the financial position of the Group.

(c) Dilution of interest in subsidiaries to that of associates

On 12 December 2003, Tronoh Mines Malaysia Berhad ("TMMB"), a 52.3% owned subsidiary, acquired the entire issued and paid up share capital of Zelan Holdings (M) Sdn Bhd, comprising 5,000,000 ordinary shares of RM1.00 each, for a purchase consideration of RM140,000,000. Following the acquisition, the Group's effective interest in TMMB was reduced to 39.2% and has diluted the power, directly or indirectly to govern the financial and operating policies of TMMB's subsidiaries namely Golden Solitaire (Australia) B. V. and Associated Mines (Malaya) Sdn Bhd. The Group now considers these companies to be associated companies.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

12 INVESTMENTS IN SUBSIDIARIES (continued)

(c) Dilution of interest in subsidiaries to that of associates (continued)

The net assets of the subsidiaries deemed disposed are as follows:

| | <u>As at 12 December 2003</u> |
|---|-------------------------------|
| | RM'000 |
| Property, plant and equipment | 738 |
| Associated company | 387,961 |
| Current assets | 56,013 |
| Current liabilities | (3,047) |
| Non current liabilities | (25,078) |
| Minority interest | (190,879) |
| Net assets of subsidiaries deemed disposed | 225,708 |
| Cash and cash equivalents of subsidiaries deemed disposed | (12,493) |
| | 213,215 |
| Share of net assets of subsidiaries deemed disposed now accounted for as associates | (216,461) |
| Increase in capital reserves on deemed disposal of subsidiaries | (3,246) |

In the previous financial year, on 10 December 2002, the Company completed the acquisition of 50.1% equity interest in Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP"). The fair values of assets and liabilities assumed are as follows:

| | <u>As at date acquisition</u> |
|--|-------------------------------|
| | RM'000 |
| Total assets | 2,451,061 |
| Total liabilities | (2,826,577) |
| Minority interest | 187,351 |
| Net liabilities acquired | (188,165) |
| Goodwill | 1,813,787 |
| Total purchase consideration | 1,625,622 |
| Purchase consideration discharged by shares issued | (855,810) |
| Portion discharged by cash | 769,812 |
| Less: Cash and cash equivalents of subsidiary acquired | (202,470) |
| Cash outflow on acquisition | 567,342 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

12 INVESTMENTS IN SUBSIDIARIES (continued)

The effects of this acquisition on the financial position of the Group at the end of the previous financial year are as follows:

| | 1 month ended 31 December 2002 RM'000 |
|---|---|
| Income statement: | |
| Revenue | 29,057 |
| Operating costs (including amortisation of goodwill on acquisition) | (39,676) |
| Loss from operations | (10,619) |
| Taxation | (10) |
| Loss after taxation | (10,629) |
| Minority interest | 4,329 |
| Decrease in the Group's net profit at the end of financial year | (6,300) |
| Balance sheet: | |
| Total asset | 2,400,159 |
| Total liabilities | (2,454,379) |
| Net liabilities acquired | (54,220) |
| Minority interest | 27,056 |
| Group's share of net liabilities | (27,164) |
| Goodwill on acquisition | 1,813,787 |
| Less: Amortisation | (2,907) |
| Increase in Group's net assets | 1,783,716 |

* Consolidated based on audited financial statements for the financial year ended 31 December 2002.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

13 INVESTMENTS IN ASSOCIATES

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|--|------------------|----------------------|----------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Shares quoted in Malaysia, at cost | 973,802 | 834,765 | 186,031 | 46,994 |
| Unquoted shares, at cost | 62,123 | 71,001 | 5,027 | 4,775 |
| Share of post-acquisition reserves | 297,085 | 128,078 | - | - |
| | 1,333,010 | 1,033,844 | 191,058 | 51,769 |
| Less: Accumulated impairment losses | (33,720) | (25,086) | (6,383) | (4,775) |
| | 1,299,290 | 1,008,758 | 184,675 | 46,994 |
| Represented by: | | | | |
| Group's share of net assets other than goodwill | 716,832 | 650,033 | | |
| Group's share of goodwill in associates' own consolidated financial statements | 246,264 | 22,531 | | |
| Goodwill on acquisition (Note (i) below) | 336,194 | 336,194 | | |
| | 1,299,290 | 1,008,758 | | |
| Market value of quoted associates: | | | | |
| Shares quoted in Malaysia | 1,533,267 | 926,326 | 460,180 | 76,767 |
| Share of capital commitment for property, plant and equipment | 2,103 | 1,000 | 3,226 | 117 |

(i) The preliminary calculation of the goodwill on acquisition of Malakoff Berhad ("Malakoff") was based on the net book value of net assets of Malakoff at the date of acquisition of the original 22.7% equity interest in Malakoff on 31 October 2000, since there was restricted access to Malakoff's records as it is a listed entity. The Directors had reviewed the estimated fair value of Malakoff based on its book value at the date of acquisition and were of the opinion that the calculation of goodwill on acquisition was fairly stated.

(ii) Details of the Group's associates are shown in Note 37.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group's interest in the assets and liabilities, revenue and expenses of jointly controlled entities are as follows:

| | <u>2004</u> | Group <u>2003</u> |
|---------------------|-------------|----------------------|
| | RM'000 | RM'000 |
| Non current assets | 127 | 172 |
| Current assets | 10,298 | 14,798 |
| Current liabilities | (6,237) | (7,311) |
| Net assets | 4,188 | 7,659 |
| Income | 612 | 480 |
| Expenses | (483) | (1,469) |
| | 129 | (989) |

Details of jointly controlled entities are as follows:

| <u>Name of company</u> | <u>Principal activities</u> | <u>Proportion of ownership interest</u> | |
|--|--|---|-------------|
| | | <u>2004</u> | <u>2003</u> |
| | | % | % |
| MMCE-IPCO-Murphy Joint Venture | Procurement, construction and commissioning of the Peninsular Gas Utilisation ("PGU") Loop 2 Gas Pipeline Project | 33.3 | 33.3 |
| MMCE-Franky Consortium Joint Venture | Construction and completion of Kuantan-Kertih Railway Project Civil Works Package 2 | 60.0 | 60.0 |
| + Project Smart Sdn Bhd | Investment holding | 50.0 | 50.0 * |
| + MMC-Gamuda Joint Venture | Design, engineering, procurement, construction, installation, testing and commissioning of Stormwater Management and Road Tunnel project | 50.0 | 50.0 |
| + Syarikat Mengurus Air Banjir dan Terowong Sdn Bhd (A wholly owned subsidiary of Project Smart Sdn Bhd) | To undertake the Stormwater Management and Road Tunnel project | 50.0 | 50.0 * |

* The shares of the Company are held by the promoters on behalf of the Company.

+ Audited by firms other than PricewaterhouseCoopers, Malaysia.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

15 OTHER INVESTMENTS

| | <u>2004</u> | Group | <u>2004</u> | Company |
|--|----------------|-------------|---------------|-------------|
| | <u>RM'000</u> | <u>2003</u> | <u>RM'000</u> | <u>2003</u> |
| | | RM'000 | | RM'000 |
| At cost: | | | | |
| Shares quoted in Malaysia | 255,288 | 259,841 | - | - |
| Shares quoted outside Malaysia | 31,546 | 31,546 | - | - |
| Unquoted shares | 2,000 | 3,697 | 2,000 | 2,000 |
| | 288,834 | 295,084 | 2,000 | 2,000 |
| Less impairment losses: | | | | |
| - Shares quoted outside Malaysia | (26,201) | (26,201) | - | - |
| - Unquoted shares | (2,000) | (3,697) | (2,000) | (2,000) |
| | 260,633 | 265,186 | - | - |
| Market value of quoted investments: | | | | |
| - Shares quoted in Malaysia | 676,951 | 650,997 | | |
| - Shares quoted outside Malaysia | 10,695 | 5,345 | | |
| | 687,646 | 656,342 | | |
| The currency exposure profile of the investments are as follows: | | | | |
| - Ringgit Malaysia | 255,288 | 259,841 | | |
| - Australian Dollar | 5,345 | 5,345 | | |
| | 260,633 | 265,186 | | |

16 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest free and are not repayable during the next twelve months except in so far as such repayment will not adversely affect the ability of the respective subsidiaries to meet their liabilities when due. Included in the amount due from subsidiaries are Redeemable Convertible Subordinated Loans of RM264.5 million (2003: RM341.0 million). The terms of the Redeemable Convertible Subordinated Loans is disclosed in Note 30(a). Included in the amounts due to subsidiaries (non current liabilities) are advances totalling RM242.8 million (2003: RM227.0 million) which represent part of the net investment in these subsidiaries.

For amounts due from/(to) subsidiaries, which are not repayable during the next twelve months, it is not practicable to determine the fair values of loans that do not have fixed repayment terms and are interest free. However, the carrying amounts recorded are not anticipated to be significantly in excess of their fair values at the balance sheet date.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

16 AMOUNTS DUE FROM/(TO) SUBSIDIARIES (continued)

| | <u>2004</u> | Group <u>2003</u> |
|--|----------------|----------------------|
| | RM'000 | RM'000 |
| The currency exposure profile of the amounts due from subsidiaries are as follows: | | |
| - Ringgit Malaysia | 354,765 | 475,415 |
| - Australian Dollar | 183,935 | 120,941 |
| | 538,700 | 596,356 |
| The currency exposure profile of the amounts due to subsidiaries are as follows: | | |
| - Ringgit Malaysia | 313,272 | 289,319 |
| - Australian Dollar | 7,248 | 4,767 |
| - Japanese Yen | 2,337 | 1,984 |
| - US Dollar | 2,040 | 2,040 |
| | 324,897 | 298,110 |

17 AMOUNT DUE FROM ASSOCIATES

The amounts due from associates are all denominated in Ringgit Malaysia, non-trade in nature, unsecured, interest free (except for shareholder's advances of RM22 million (2003: RM21.012 million) to Berjantai Tin Dredging Berhad ("BTD") and RM5 million (2003: RM nil) to MMC Metrail Sdn Bhd which bears interest at 1.5% (2003: 1.5%) and at nil% (2003: nil%) respectively, above the base lending rate of Bumiputra Commerce Bank Berhad) and are not repayable during the next twelve months except in so far as such repayments will not adversely affect the ability of the respective associates to meet their liabilities when due.

In relation to the amount due from BTD, approvals have been obtained from the Securities Commission ("SC") on 11 November 2003 and the shareholders of BTD at an Extraordinary General Meeting held on 5 March 2004, on BTD's restructuring scheme ("Scheme"). Part of the Scheme entails the repayment of shareholders advances of RM22 million from BTD to the Company, which is to be settled via the issuance of 44,000,000 new ordinary shares of BTD of RM0.50 each.

The Scheme is subject to the completion of certain conditions of SC's approval and the approval of High Court for the listing and quotation of the new BTD shares pursuant to the Scheme. The amount due from BTD has therefore been reclassified to trade and other receivables as disclosed in Note 22.

For amounts due from associates, which are not repayable during the next twelve months, it is not practicable to determine the fair values of loans that do not have fixed repayment terms and are interest free. However, the carrying amounts recorded are not anticipated to be significantly in excess of their fair values at the balance sheet date.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

18 OTHER ASSETS

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|---|-----------------|----------------------|-----------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) Mining exploration expenditure, at cost | 9,584 | 35,049 | 9,584 | 32,600 |
| Impairment losses: | | | | |
| At 1 February | 35,049 | 41,866 | 32,600 | 39,417 |
| Charge for the year | 69 | 1,322 | 69 | 1,322 |
| Written off | (25,534) | (8,139) | (23,085) | (8,139) |
| At 31 January | 9,584 | 35,049 | 9,584 | 32,600 |
| Carrying value | - | - | - | - |
| (b) Prepayment against future revenues: | | | | |
| At 1 February | 46,121 | 48,428 | - | - |
| Reversed during the financial year | (2,305) | (2,307) | - | - |
| At 31 January | 43,816 | 46,121 | - | - |
| Total other assets | 43,816 | 46,121 | - | - |

19 GOODWILL ON CONSOLIDATION

| | <u>2004</u> | Group <u>2003</u> |
|-------------------------------------|------------------|----------------------|
| | RM'000 | RM'000 |
| Net book value | | |
| At 1 February | 1,816,972 | 6,092 |
| Acquisition of subsidiary (Note 12) | 20,123 | 1,813,787 |
| Amortisation charge | (36,102) | (2,907) |
| At 31 January | 1,800,993 | 1,816,972 |
| At 31 January | | |
| Cost | 1,840,002 | 1,819,879 |
| Accumulated amortisation | (39,009) | (2,907) |
| Net book value | 1,800,993 | 1,816,972 |

Goodwill is amortised from the date of initial recognition over its estimated useful lives of the underlying assets, which range from 17 to 52 years.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

20 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

| | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|----------------|-------------------------|----------------|---------------------------|
| Deferred tax assets | 16,394 | 18,614 | 2,689 | 2,689 |
| Deferred tax liabilities: | | | | |
| - subject to income tax | (75,064) | (56,887) | - | - |
| - subject to capital gains tax | (2,019) | (2,019) | - | - |
| | (77,083) | (58,906) | - | - |
| | (60,689) | (40,292) | 2,689 | 2,689 |
| At 1 February | (40,292) | (29,659) | 2,689 | 2,689 |
| (Charged)/credited to income statement (Note 8): | | | | |
| - property, plant and equipment | (14,105) | (9,643) | 170 | 315 |
| - receivables | (5,593) | (396) | - | - |
| - payables | 17 | 163 | - | - |
| - prepayment against future revenue | 646 | 646 | - | - |
| - tax losses | 246 | (1,151) | - | - |
| - provisions | (189) | (31) | (316) | (106) |
| - others | 507 | (221) | 146 | (209) |
| | (18,471) | (10,633) | - | - |
| Acquisition of a subsidiary | (1,926) | - | - | - |
| At 31 January | (60,689) | (40,292) | 2,689 | 2,689 |
| Subject to income tax: | | | | |
| Deferred tax assets (before offsetting) | | | | |
| Property, plant and equipment | 893 | 344 | - | - |
| Receivables | 7,156 | 9,297 | - | - |
| Payables | 557 | 540 | - | - |
| Provisions | 602 | 791 | 140 | 456 |
| Tax losses | 19,042 | 18,796 | 3,525 | 3,525 |
| Others | 3 | 4 | - | - |
| | 28,253 | 29,772 | 3,665 | 3,981 |
| Offsetting | (11,859) | (11,158) | (976) | (1,292) |
| Deferred tax assets (after offsetting) | 16,394 | 18,614 | 2,689 | 2,689 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

20 DEFERRED TAXATION (continued)

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|--|-------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deferred tax liabilities (before offsetting) | | | | |
| Property, plant and equipment | (71,465) | (54,985) | (976) | (1,146) |
| Receivables | (3,029) | - | - | - |
| Prepayment against future revenue | (12,268) | (12,914) | - | - |
| Others | (161) | (146) | - | (146) |
| | (86,923) | (68,045) | (976) | (1,292) |
| Offsetting | 11,859 | 11,158 | 976 | 1,292 |
| Deferred tax liabilities (after offsetting) | (75,064) | (56,887) | - | - |
| Subject to capital gains tax | | | | |
| Deferred tax liabilities | | | | |
| Property, plant and equipment | (2,019) | (2,019) | - | - |
| | (2,019) | (2,019) | - | - |

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|----------------------------------|-------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deductible temporary differences | 898,877 | 789,026 | - | - |
| Tax losses | 239,222 | 247,328 | - | - |
| | 1,138,099 | 1,036,354 | - | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

21 INVENTORIES

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|--|-----------------------|--------------------------------|
| At cost: | | |
| Spares, consumables and container repair materials | 16,227 | 8,382 |
| Raw materials | 2,977 | 4,869 |
| Work-in-progress | 1,556 | 2,586 |
| Goods in transit | - | 199 |
| Manufactured inventories | 2,086 | 1,797 |
| | 22,846 | 17,833 |
| At net realisable value: | | |
| Raw materials | 166 | 197 |
| Manufactured inventories | 1,074 | 1,224 |
| | 24,086 | 19,254 |

Inventories of the Group of RM15,603,000 (2003:RM8,187,000) comprising spare parts, consumables and container repair materials are pledged as security for borrowings as referred to in Note 24.

22 TRADE AND OTHER RECEIVABLES

| | <u>2004</u> RM'000 | Group 2003 RM'000 | <u>2004</u> RM'000 | Company 2003 RM'000 |
|------------------------------------|-----------------------|-------------------------|-----------------------|---------------------------|
| Trade receivables | 218,802 | 176,171 | - | - |
| Less: Allowance for doubtful debts | (27,440) | (22,755) | - | - |
| | 191,362 | 153,416 | - | - |
| Other receivables | 86,714 | 125,189 | 48,481 | 44,404 |
| Deposits | 5,744 | 11,485 | 1,660 | 1,649 |
| Prepayments | 10,716 | 4,095 | 167 | 178 |
| Less: Allowance for doubtful debts | (407) | (4,122) | - | - |
| | 102,767 | 136,647 | 50,308 | 46,231 |
| Contract advances | - | 4,714 | - | - |
| Less: Allowance for doubtful debts | - | (3,503) | - | - |
| | - | 1,211 | - | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

22 TRADE AND OTHER RECEIVABLES (continued)

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|--|----------------|----------------------|----------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amount due from contract customers (Note 31) | 8,638 | 21,213 | - | - |
| Amounts due from associates (Note 17) | 28,947 | 4,540 | 22,000 | - |
| Amounts due from jointly controlled entities | 114,742 | - | 114,742 | - |
| | 446,456 | 317,027 | 187,050 | 46,231 |

All the above balances except for certain trade receivables, which is shown below, are denominated in Ringgit Malaysia.

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|--|----------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| The currency exposure profile of trade receivables are as follows: | | | | |
| - Ringgit Malaysia | 188,049 | 149,790 | - | - |
| - US Dollar | 637 | 2,476 | - | - |
| - Australian Dollar | 2,326 | 1,106 | - | - |
| - Others | 350 | 44 | - | - |
| | 191,362 | 153,416 | - | - |

Credit terms of trade receivables of the Group and the Company vary from payment in advance to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

Concentration of credit risk in respect of the receivable balances is limited to the Group's large number of customers, who are nationally dispersed, cover a spectrum of industries with variety end markets. The Group's historical experience shows that the allowances for doubtful debts have been adequate and due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's receivables.

The amounts due from jointly controlled entities are unsecured with no fixed terms of repayment and bear no interest.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

23 DEPOSITS, BANK AND CASH BALANCES

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|---------------------------|-------------|----------------------|-------------|------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits are placed with: | | | | |
| Licensed banks | 191,779 | 390,592 | 15,470 | 14,452 |
| Finance companies | 15,596 | 39,073 | 1,008 | 2,003 |
| Other corporations | 31,847 | 58,639 | 11,776 | 2,255 |
| | 239,222 | 488,304 | 28,254 | 18,710 |
| Cash and bank balances | 12,308 | 13,460 | 611 | 592 |
| | 251,530 | 501,764 | 28,865 | 19,302 |

The currency exposure profile of the deposits, bank and cash balances are as follows:

| | | | | |
|---------------------|---------|---------|--------|--------|
| - Ringgit Malaysia | 250,823 | 478,008 | 28,865 | 9,444 |
| - US Dollar | 28 | 11,906 | - | 4,526 |
| - Euro | - | 51 | - | - |
| - Australian Dollar | 659 | 11,799 | - | 5,332 |
| - Pound Sterling | 20 | - | - | - |
| | 251,530 | 501,764 | 28,865 | 19,302 |

The weighted average interest rates of deposits, bank and cash balances that were effective as at balance sheet date were as follows:

| | <u>2004</u> | Group <u>2003</u> | <u>2004</u> | Company <u>2003</u> |
|-----------------------|-------------|----------------------|-------------|------------------------|
| | % | % | % | % |
| Deposits placed with: | | | | |
| Licensed banks | 2.79 | 3.17 | 3.00 | 3.17 |
| Finance companies | 2.89 | 3.30 | 3.00 | 3.30 |
| Other corporations | 2.66 | 3.25 | 2.88 | 3.25 |

Deposits of the Group and the Company have an average maturity of 39 days (2003: 39 days). Bank balances are deposits held at call with banks.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

24 BORROWINGS (INTEREST BEARING)

| | | Group | | Company |
|---|-------------|-----------|-----------|-----------|
| | | 2004 | 2003 | 2004 |
| | | RM'000 | RM'000 | RM'000 |
| Current | | | | |
| US Dollar term loans | - secured | 19,365 | 19,000 | - |
| Overdrafts | - secured | 1,396 | - | - |
| | - unsecured | 398 | 365 | - |
| Revolving credits | - secured | 71,600 | 9,000 | - |
| | - unsecured | 179,723 | 65,000 | 50,000 |
| Term loan | - secured | 28,615 | - | - |
| | | 301,097 | 93,365 | 50,000 |
| Non-current | | | | |
| US Dollar term loans | - secured | 58,094 | 77,459 | - |
| Infrastructure support loans | - secured | | | - |
| Loan 1 | | 343,385 | 372,000 | - |
| Loan 2 | | 128,000 | 128,000 | - |
| Refinancing term loans | - secured | | | - |
| Loan 3 | | 650,000 | 650,000 | - |
| Loan 4 | | 600,400 | 850,400 | - |
| Loan 5 | | 250,000 | - | - |
| Term loans | - secured | 964,990 | 800,000 | 961,990 |
| Syndicated term loan | - secured | 103,065 | 103,065 | - |
| | | 3,097,934 | 2,980,924 | 961,990 |
| Total | | 3,399,031 | 3,074,289 | 1,011,990 |
| The currency exposure profile of the borrowings are as follows: | | | | |
| - Ringgit Malaysia | | 3,321,572 | 2,977,830 | 1,011,990 |
| - US Dollar | | 77,459 | 96,459 | - |
| | | 3,399,031 | 3,074,289 | 1,011,990 |
| Fair values of term loans are as follows: | | | | |
| - US Dollar term loans | | 78,093 | 98,161 | - |
| - Term loans | | 867,779 | 783,753 | 867,779 |
| - Infrastructure support loans, refinancing and syndicated term loans | | 1,894,000 | 2,000,000 | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

24 BORROWINGS (INTEREST BEARING) (continued)

- (i) The USD term loans of the Group of USD63 million was arranged with Japan Bank for International Co-operation and was drawdown over nine instalments from 30 July 1993. Repayments are by fourteen half yearly increasing instalments commencing 31 July 2000. The loan is subject to a fixed interest rate of 6.1% (2003: 6.1%) and is secured by way of a debenture over all assets of a subsidiary company.
- (ii) Bankers' acceptances, revolving credit and bank overdrafts of a subsidiary are secured by an "all monies" debentures of RM5.3 million (2003: RM5.3 million) by way of a floating charge over all the subsidiary's inventories, book debts, raw materials, work in progress and finished goods. The net book value of inventories and book debts of the subsidiary charged is approximately RM3,144,000 (2003: RM3,144,000) and RM12,444,000 (2003: RM12,444,000) respectively.

(iii) Infrastructure support loans

The loans are owed to Bank Pembangunan & Infrastruktur Malaysia Berhad.

Interest on the loans is charged at a fixed rate of 5% per annum up to October 2010. From November 2010 onwards, interest on the loans is charged at a rate of 1.5% above the effective cost of funds of the lender.

Loan 1 is repayable in 26 equal semi-annual instalments as stipulated in the agreement commencing June 2004.

Loan 2 is repayable in 24 equal semi-annual instalments as stipulated in the agreement commencing June 2005.

The loans are secured by:

- (a) a fixed and floating charge by way of debenture over all assets and undertaking of a subsidiary company.
- (b) a charge on the Designated Accounts and all monies standing to the credit of a subsidiary company.
- (c) an assignment of all rights and benefits of a subsidiary under the Privatisation Agreement dated 24 March 1995.
- (d) an assignment of all rights under insurances.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

24 BORROWINGS (INTEREST BEARING) (continued)

(iv) Refinancing term loan 3

The loan is owed to Bank Pembangunan & Infrastruktur Malaysia Berhad.

Interest on the loan is charged at a fixed rate of 6% per annum. The loan is repayable in 14 equal semi-annual instalments as stipulated in the loan agreement commencing June 2005.

The loan is secured by:

- (a) a fixed and floating charge by way of debenture over all assets and undertaking of a subsidiary company.
- (b) a charge on the Designated Accounts and all monies standing to the credit of a subsidiary company.
- (c) an assignment of all rights and benefits of a subsidiary under the Privatisation Agreement dated 24 March 1995.
- (d) an assignment of all rights under insurances.

(v) Refinancing term loans 4 and 5

The loans are owed to Employees Provident Fund Board.

Interest on the loans is charged at a fixed rate of 6% per annum. The loans are repayable in 14 unequal semi-annual instalments commencing September 2005, as follows:

| <u>Instalment number</u> | <u>% of outstanding principal repayable</u> |
|--------------------------|---|
| 1-13 | 2.5 |
| 14 | 67.5 |

These loans are secured by a letter of comfort from the Government of Malaysia.

- (vi) The syndicated term loan is secured by a fixed and floating charge over all assets amounting to RM317,753,000 (2003: RM301,284,000) and assignment of relevant contracts of a subsidiary company.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

24 BORROWINGS (INTEREST BEARING) (continued)

- (vii) The term loans of the Company are secured by certain assets of the Company and a subsidiary company. Interests on all the term loans of the Company are charged at floating rates between 1% - 1.75% over cost of funds of lenders and fixed rates between 6.65% - 6.85% per annum. The tenure of the loans ranges from 5 - 8 years with bullet repayments on maturity from the dates of drawdown. The revolving credit facility of the Company is unsecured and interest is charged at 0.8% above the cost of funds of the lender.

Analysis of repayment schedule:

| | <u>2004</u> | Group | <u>2004</u> | Company |
|-------------------|------------------|-------------|------------------|-------------|
| | <u>RM'000</u> | <u>2003</u> | <u>RM'000</u> | <u>2003</u> |
| | | RM'000 | | RM'000 |
| Within 1 year | 301,097 | 93,365 | 50,000 | - |
| From 1 to 2 years | 240,323 | 106,074 | - | - |
| From 2 to 5 years | 629,828 | 605,783 | - | - |
| After 5 years | 2,227,783 | 2,269,067 | 961,990 | 800,000 |
| | 3,399,031 | 3,074,289 | 1,011,990 | 800,000 |

The weighted average interest rates of borrowings (interest bearing) that was effective as at balance sheet date were as follows:

| | <u>2004</u> | Group | <u>2004</u> | Company |
|--|-------------|-------------|-------------|-------------|
| | <u>%</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| | | % | % | % |
| US Dollar term loan | 6.10 | 6.10 | - | - |
| Term loans | 5.43 | 5.92 | 5.43 | 5.92 |
| Infrastructure support loans, refinancing and syndicated loans | 5.75 | 5.75 | - | - |
| Revolving credits | 4.73 | 5.00 | 4.65 | - |
| Bank overdrafts | 7.83 | 8.15 | - | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

25 TRADE AND OTHER PAYABLES

| | | Group | | Company |
|---|----------------|----------------|----------------|---------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 216,115 | 99,134 | 90,431 | - |
| Other payables | 55,677 | 129,533 | 2,222 | 1,616 |
| Provision for retirement benefits (Note 25 (a)) | 1,054 | 1,081 | - | - |
| Accruals | 73,146 | 114,846 | 9,128 | 53,778 |
| Finance lease liabilities (Note 26) | - | 1,403 | - | - |
| Advances received on contracts (Note 31) | 423 | 13,097 | - | - |
| Amounts due to contract customers (Note 31) | 1,149 | 4,378 | - | - |
| | 347,564 | 363,472 | 101,781 | 55,394 |

The currency exposure profile of the trade payables are as follows:

| | | | | |
|--------------------|----------------|---------------|---------------|----------|
| - Ringgit Malaysia | 211,905 | 96,471 | 90,431 | - |
| - US Dollar | 3,578 | 2,611 | - | - |
| - Others | 632 | 52 | - | - |
| | 216,115 | 99,134 | 90,431 | - |

Credit terms of trade payables granted to the Group and the Company vary from immediate payment to 90 days.

(a) Provision for retirement benefits

| | <u>2004</u> | Group |
|-----------------------------|--------------|--------------|
| | RM'000 | RM'000 |
| At 1 February | 1,081 | 1,352 |
| Charged to income statement | 104 | 85 |
| Utilised during the year | (131) | (356) |
| At 31 January | 1,054 | 1,081 |
| Analysed as: | | |
| Current | 170 | 139 |
| Non-current | 884 | 942 |
| | 1,054 | 1,081 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

25 TRADE AND OTHER PAYABLES (continued)

(a) Provision for retirement benefits (continued)

| | 2004 | Group |
|---|---------------|----------------|
| | RM'000 | 2003 RM'000 |
| <u>Non current</u> | | |
| Later than 1 year and not later than 2 years | 496 | 180 |
| Later than 2 years and not later than 5 years | - | 259 |
| Later than 5 years | 388 | 503 |
| | 884 | 942 |
| Present value of funded obligations | 1,048 | 1,093 |

A subsidiary of the Group operates a defined retirement benefit scheme, applicable to all full time employees of the subsidiary. This Scheme is valued by an independent actuary every three years using the projected unit credit method. The latest valuation was carried at 31 January 2004 and this valuation showed that the provision for retirement benefits as at that date is sufficient to meet the actuarially determined value of vested benefits.

The amount recognised in the balance sheet is analysed as follows:

| | 2004 | Group |
|---|---------------|----------------|
| | RM'000 | 2003 RM'000 |
| Present value of funded obligations | 1,048 | 1,093 |
| Unrecognised transitional asset | 6 | - |
| Unrealised actuarial losses | - | (12) |
| Net liability recognised in the balance sheet | 1,054 | 1,081 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

25 TRADE AND OTHER PAYABLES (continued)

The expense recognised in the income statements is analysed as follows:

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|---|-----------------------|--------------------------------|
| Current service cost | 53 | 26 |
| Interest cost | 51 | 59 |
| Net liability recognised in the balance sheet | <u>104</u> | <u>85</u> |

The principal actuarial assumptions used in respect of the subsidiary's defined benefit plan are as follows:

| | <u>2004</u> % | <u>2003</u> % |
|---------------|------------------|------------------|
| Discount rate | 5.0 | 7.0 |
| Interest cost | <u>5.0</u> | <u>5.0</u> |

26 FINANCE LEASE LIABILITIES

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|---|-----------------------|--------------------------------|
| Minimum lease payment: | | |
| - not later than 1 year | - | 1,624 |
| - later than 1 year and not later than 2 years | - | 869 |
| - later than 2 years and not later than 5 years | - | 205 |
| | - | 2,698 |
| Less: Future finance charges on finance leases | - | (355) |
| Present value of finance lease liabilities | <u>-</u> | <u>2,343</u> |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

26 FINANCE LEASE LIABILITIES (continued)

| | 2004 RM'000 | Group 2003 RM'000 |
|--|------------------------------|--------------------------------|
| Present value of finance lease liabilities: | | |
| - not later than 1 year | - | 1,403 |
| - later than 1 year and not later than 2 years | - | 759 |
| - later than 2 years and not later than 5 years | - | 181 |
| | - | 2,343 |
| Representing finance lease liabilities: | | |
| - current liabilities (Note 25) | - | 1,403 |
| - non-current liabilities | - | 940 |
| | - | 2,343 |
| | % | % |
| Weighted average effective interest rates of finance lease liabilities at the balance sheet date | - | 5.00 |
| | RM'000 | RM'000 |
| Fair value of finance lease liabilities at the balance sheet date | - | 2,760 |

The finance lease liabilities are effectively secured as the right to the leased assets revert to the lessor in the event of default.

27 SHARE CAPITAL

| | Number of ordinary shares | | Group and Company Amount | |
|-----------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|
| | 2004 '000 | 2003 '000 | 2004 RM'000 | 2003 RM'000 |
| Authorised: | | | | |
| Ordinary shares of RM0.10 each: | | | | |
| At 1 February | 2,000,000 | 1,000,000 | 200,000 | 100,000 |
| Created during the financial year | - | 1,000,000 | - | 100,000 |
| At 31 January | 2,000,000 | 2,000,000 | 200,000 | 200,000 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

27 SHARE CAPITAL (continued)

| | Number of ordinary shares | | Group and Company Amount | |
|--|---------------------------|-------------|--------------------------|-------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| | '000 | '000 | RM'000 | RM'000 |
| Issued and fully paid: | | | | |
| Ordinary shares of RM0.10 each: | | | | |
| At 1 February | 1,121,409 | 836,139 | 112,141 | 83,614 |
| Issued during the financial year: | | | | |
| - Increase in equity interest in existing subsidiaries (Note 12) | 5,204 | 285,270 | 520 | 28,527 |
| At 31 January | 1,126,613 | 1,121,409 | 112,661 | 112,141 |

During the financial year, the Company increased its issued and paid up share capital from RM112,140,921 to RM112,661,305 by way of the issuance of 5,203,836 ordinary shares of RM0.10 each pursuant to the Voluntary Offer to acquire the remaining 7,910,268 ordinary shares of RM1.00 each in MMC Engineering Group Berhad, representing approximately 25.00% of the issued and fully paid-up share capital of MMC Engineering Group Berhad.

28 RESERVES

Subject to the agreement of the Inland Revenue Board, the Company has tax credits under Section 108 of the Income Tax Act 1967 of RM53.5 million (2003: RM58.9 million) and the balance in the tax exempt account of RM12 million (2003: RM23 million) to frank the payment of dividend out of the distributable reserves of the Company as at 31 January 2004.

29 MINORITY INTERESTS

These consist of minority shareholders' proportion of share capital and reserves of subsidiaries.

30 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS

(a) Terms of redeemable convertible subordinated loans

- (i) The Redeemable Convertible Subordinated Loans ("RCSL") of a subsidiary are subordinated to the prior repayment of the term loans of the subsidiary as referred to in Note 24 (iii), (iv) and (v) and are due for a lump sum settlement at the end of the tenure on 30 June 2013.
- (ii) The holders of the RCSL are entitled to require the subsidiary to allot ordinary shares of the subsidiary commencing from 5 September 1997 (the date of first drawdown) until 30 June 2013 in exchange for and in satisfaction of the amount of the loans at RM1.00 of the loan to the equivalent number of shares of RM1.00 each.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

30 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS (continued)

(a) Terms of redeemable convertible subordinated loans (continued)

(iii) Interest of 5% per annum on the loans is waived for the period of 24 months starting 1 January 2003.

(iv) In the event any interest chargeable is not paid when due to the holders of the RCSL, the interest due and accruing may at the sole discretion of the holders be capitalised and added to the principal sum with interest chargeable on it.

(v) The loan facility limit is RM1.01 billion.

(b) Conversion during the financial year

During the financial year, the holders of the RCSL including the Company, exchanged RM150 million of RCSL for 150 million ordinary shares of RM1.00 each in the subsidiary.

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|---|-----------------------|--------------------------------|
| The currency exposure profile of redeemable convertible subordinated loans is as follows: | | |
| - Ringgit Malaysia | 263,397 | 336,769 |
| | % | % |
| Weighted average effective interest rate of redeemable convertible subordinated loans at the balance sheet date | - | 5.00 |

31 CONSTRUCTION CONTRACTS

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|---|-----------------------|--------------------------------|
| Aggregate costs incurred and recognised profits (less losses) to date | 225,895 | 150,855 |
| Progress billings | (218,406) | (134,020) |
| | 7,489 | 16,835 |
| Amount due from contract customers (Note 22) | 8,638 | 21,213 |
| Amount due to contract customers (Note 25) | (1,149) | (4,378) |
| | 7,489 | 16,835 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

31 CONSTRUCTION CONTRACTS (continued)

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|--|-----------------------|--------------------------------|
| Advances received on contracts (Note 25) | 423 | 13,097 |
| Retentions on contracts | 7,445 | 4,643 |

The following costs are part of contract cost incurred during the financial year :

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 |
|---|-----------------------|--------------------------------|
| Office rental | 81 | 82 |
| Depreciation of property, plant and equipment | 131 | 120 |
| Hire of plant and machinery | 756 | 505 |
| Staff costs | 10,108 | 10,811 |

Staff costs consist of the following:

| | | |
|---------------------------------|--------|--------|
| Salaries, wages and bonus | 8,770 | 9,198 |
| Defined contribution plan | 948 | 1,036 |
| Other employee benefits | 278 | 502 |
| Directors' remuneration | | |
| - Salaries and other emoluments | 100 | 68 |
| - Defined Contribution Plan | 12 | 7 |
| | 10,108 | 10,811 |

The amount due from and to contract customers are denominated in Ringgit Malaysia.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

32 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. Inter-segment pricing is determined based on negotiated terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Prior year's segment data presented has been restated to reflect the internal reorganisation of the Group's business segments during the financial year.

(a) Primary reporting format - business segments:

| | Transport and logistics RM'000 | Energy and utilities RM'000 | Engineering and construction RM'000 | Others RM'000 | Total RM'000 |
|--|---|--------------------------------------|--|------------------|------------------|
| 2004 | | | | | |
| <u>Revenue</u> | | | | | |
| Total | 434,157 | 486,697 | 258,689 | 123,181 | 1,302,724 |
| Inter segment | - | - | (79,670) | (55,456) | (135,126) |
| External | 434,157 | 486,697 | 179,019 | 67,725 | 1,167,598 |
| <u>Results</u> | | | | | |
| Segment profit | 138,533 | 66,798 | 29,100 | 9,716 | 244,147 |
| Interest income | | | | | 16,275 |
| Finance costs | | | | | (184,318) |
| Share of results of associates | (233) | 144,597 | 8,265 | 16,712 | 169,341 |
| Share of results of jointly controlled entities | | | | 129 | 129 |
| Amortisation of goodwill | | | | | (36,102) |
| Non operating items | | | | | 10,995 |
| Profit from ordinary activities before taxation | | | | | 220,467 |
| Taxation | | | | | (75,093) |
| Profit from ordinary activities after taxation | | | | | 145,374 |
| Minority interest | | | | | (29,223) |
| Net profit for the financial year | | | | | 116,151 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

32 SEGMENTAL INFORMATION (continued)

(a) Primary reporting format - business segments: (continued)

| | Transport and logistics RM'000 | Energy and utilities RM'000 | Engineering and construction RM'000 | Others RM'000 | Total RM'000 |
|--|---|--------------------------------------|--|------------------|------------------|
| 2004 | | | | | |
| <u>Other information</u> | | | | | |
| Segment assets | 4,538,765 | 738,189 | 11,270 | 466,951 | 5,755,175 |
| Associates | 9,711 | 993,901 | 219,525 | 76,153 | 1,299,290 |
| Jointly controlled entities | - | - | - | 4,188 | 4,188 |
| Unallocated assets | | | | | |
| - Interest bearing instruments | | | | | 251,530 |
| Total assets | | | | | 7,310,183 |
| Segment liabilities | 107,787 | 80,668 | 47,653 | 111,456 | 347,564 |
| Unallocated liabilities | | | | | |
| - Interest bearing instruments | | | | | 3,399,031 |
| - Redeemable convertible subordinated loans | | | | | 263,397 |
| - Tax liabilities | | | | | 7,856 |
| - Deferred tax liabilities | | | | | 77,083 |
| Total liabilities | | | | | 4,094,931 |
| <u>Other disclosures</u> | | | | | |
| Capital expenditure | 110,750 | 177,132 | 3,177 | 5,537 | 296,596 |
| Depreciation | (106,869) | (23,410) | (612) | (11,317) | (142,208) |
| Impairment loss | - | - | - | 1,311 | 1,311 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

32 SEGMENTAL INFORMATION (continued)

(a) Primary reporting format - business segments: (continued)

| | Transport and logistics RM'000 | Energy and utilities RM'000 | Engineering and construction RM'000 | Others RM'000 | Total RM'000 |
|--|---|--------------------------------------|--|------------------|-----------------|
| 2003 | | | | | |
| <u>Revenue</u> | | | | | |
| Total | 89,026 | 540,553 | 63,647 | 185,046 | 878,272 |
| Inter segment | - | - | (44,432) | (103,957) | (148,389) |
| External | 89,026 | 540,553 | 19,215 | 81,089 | 729,883 |
| <u>Results</u> | | | | | |
| Segment profit | 18,998 | 60,624 | 1,171 | 15,844 | 96,637 |
| Interest income | | | | | 19,233 |
| Finance costs | | | | | (42,730) |
| Share of results of associates | - | 117,403 | 1,299 | 14,344 | 133,046 |
| Share of results of jointly controlled entities | | | | (989) | (989) |
| Amortisation of goodwill | | | | | (2,907) |
| Non operating items | | | | | 3,086 |
| Profit from ordinary activities before taxation | | | | | 205,376 |
| Taxation | | | | | (63,742) |
| Profit from ordinary activities after taxation | | | | | 141,634 |
| Minority interest | | | | | (30,960) |
| Net profit for the financial year | | | | | 110,674 |
| <u>Other information</u> | | | | | |
| Segment assets | 4,339,899 | 594,749 | 14,134 | 551,278 | 5,500,060 |
| Associates | 10,000 | 922,805 | 5,751 | 70,202 | 1,008,758 |
| Jointly controlled entities | - | - | - | 7,659 | 7,659 |
| Unallocated assets | | | | | |
| - Interest bearing instruments | | | | | 501,764 |
| Total assets | | | | | 7,018,241 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

32 SEGMENTAL INFORMATION (continued)

(a) Primary reporting format - business segments: (continued)

| | Transport and logistics RM'000 | Energy and utilities RM'000 | Engineering and construction RM'000 | Others RM'000 | Total RM'000 |
|--|---|--------------------------------------|--|------------------|------------------|
| 2003 | | | | | |
| Segment liabilities | 124,687 | 54,781 | 34,397 | 151,950 | 365,815 |
| Unallocated liabilities | | | | | |
| - Interest bearing instruments | | | | | 3,074,289 |
| - Redeemable convertible subordinated loans | | | | | 336,769 |
| - Tax liabilities | | | | | 21,741 |
| - Deferred tax liabilities | | | | | 58,906 |
| Total liabilities | | | | | 3,857,520 |
| <u>Other disclosures</u> | | | | | |
| Capital expenditure | 4,853 | 109,315 | 547 | 18,702 | 133,417 |
| Depreciation | (12,372) | (19,488) | (154) | (7,087) | (39,101) |
| Impairment loss | - | - | - | (290) | (290) |

(b) Secondary reporting format - geographical segments

| | 2004 RM'000 | Revenue 2003 RM'000 | 2004 RM'000 | Gross assets 2003 RM'000 | Profit before taxation 2004 RM'000 | 2003 RM'000 |
|-------------|-----------------------|---------------------------|-----------------------|--------------------------------|--|----------------|
| Malaysia | 1,142,115 | 709,899 | 7,309,445 | 7,017,626 | 218,718 | 204,208 |
| Australia | - | - | 738 | 564 | - | - |
| Indonesia | 25,483 | 19,984 | - | - | 1,749 | 1,168 |
| Netherlands | - | - | - | 51 | - | - |
| | 1,167,598 | 729,883 | 7,310,183 | 7,018,241 | 220,467 | 205,376 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

33 CONTINGENT LIABILITIES - UNSECURED

- (a) Tri-Steel Engineering Services Sdn. Bhd. ("Tri-Steel") had on 4 April 2002 filed a claim of approximately RM2.47 million against MMC Engineering Services Sdn. Bhd. ("MMCES"), a subsidiary, for works allegedly undertaken by Tri-Steel on the Sultan Salahuddin Abdul Aziz Power Station Phase 3 project.

MMCES denied the claim and filed a counter claim amounting to approximately RM3 million against Tri-Steel for rectification works which had to be undertaken as a result of Tri-Steel's failure to complete the works.

The solicitors are of the opinion that there is a fair chance of success in defending this claim and in the counter claim.

- (b) In 1999, a joint venture involving MMCES ("the JV") had instituted an arbitration proceeding against Pantai Bayu Indah Sdn. Bhd. ("Pantai Bayu") to claim an amount of RM24.3 million and HKD37.7 million for loss, expense and damages incurred and suffered as a result of wrongful termination of contract by Pantai Bayu.

Pantai Bayu contended that the termination was lawful and filed a counter claim of RM56.7 million against the JV.

The solicitors are of the opinion that the JV has a fair chance of success in its claim and in defending the counter claim.

- (c) On 16 November 2001, Pantai Bayu made an application for an order to establish whether Pantai Bayu has sustained any damage as a result of an ex-parte injunction amounting approximately RM2.5 million. The application was dismissed with costs on 26 June 2002 based on preliminary objection on the grounds that the mode of application was wrong. Pantai Bayu had made a fresh application (new Originating Summons) on 28 August 2002. The said application for assessment of damages was dismissed with cost to the JV on 2 April 2003. Consequently, Pantai Bayu had on 24 April 2003 filed a Notice of Appeal to the Court of Appeal.

The solicitors are of the opinion that there is a fair chance of success in dismissing the appeal.

- (d) At 31 January 2004, the contingent liabilities in respect of guarantees issued are as follows:

| | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|---|----------------|-------------------------|----------------|---------------------------|
| Bank guarantees issued to third parties for performance by: | | | | |
| - Jointly controlled entities | - | 10,397 | - | - |
| - Subsidiaries | 47,449 | 48,977 | - | - |
| | 47,449 | 59,374 | - | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

33 CONTINGENT LIABILITIES - UNSECURED (continued)

| | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|----------------|-------------------------|----------------|---------------------------|
| Parental guarantees relating to borrowings of: | | | | |
| - Jointly controlled entities | - | 36,263 | - | - |

Bank guarantees issued to third parties mainly comprise of customers and utilities suppliers. These are mainly in respect of performance bonds and payment guarantee for utilities facilities.

(e) In addition, the Group and the Company have contingent liabilities which are not readily ascertainable in respect of filling and levelling conditions on the Group's and the Company's mining leases and relating to the deviation of the Kinta River.

(f) The Australian tax authority has issued notices of assessment to the Company, its subsidiaries and associates, including Tronoh Mines Malaysia Berhad, Anglo-Oriental (Annuities) Sdn Bhd, Golden Solitaire (Australia) B.V. and Anglo-Oriental (Nominees) Australia Pty Ltd ("AONA"), indicating that the Company, its respective subsidiaries and associates are subject to capital gains tax liability of AUD130,654,897 and a general interest charge liability (as at the date of the notices of assessment) of AUD61,670,379 in aggregate in respect of disposal of shares in Australian subsidiaries in 1998 to 2001. Notices of objection have been filed.

In the case of non-Australian companies, the assessments have been made as a result of the Australian tax authority's interpretation of a tax treaty and/or a change in foreign tax legislation around the time of the relevant disposals. In the case of AONA, the assessment has been made at a result of the Australian tax authority failing to recognise the availability of losses to AONA.

On advice by legal counsel, no provision has been made in the financial statements, as the gain should be protected from taxation by the operation of a tax treaty, in the case of non-Australian companies, or by the availability of losses, in the case of AONA, such that the disposals should not be subject to capital gains tax.

(g) A demand was received by the Company and a subsidiary, Projek Lebuhraya Timur Sdn Bhd, from a consultant in respect of alleged work undertaken. As no legal proceedings have been commenced in Court nor has the claim been referred for arbitration, the Directors of the Company are unable to assess the matter.

(h) There are claims and counter claims arising in the normal course of business of a subsidiary, Gas Malaysia Sdn Bhd, in respect of pipeline construction which, in some cases, involve litigation or arbitration. Having taken legal advice where appropriate, the directors of Gas Malaysia Sdn Bhd are of the opinion that the claims are unlikely to succeed in full and have made an accrual of approximately RM2.2 million for the amounts considered payable.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

33 CONTINGENT LIABILITIES - UNSECURED (continued)

- (i) The Company and TMMB have been served with a writ of summons in respect of a claim for specific performance on the sale of shares in which TMMB is one of the shareholders following the non-completion of the sale and purchase agreement for a purchase consideration of RM4.3 million.

An application to strike out the suit was filed by the Company's solicitors and the Company was successful in the application. However, this matter is still pending appeal.

No provision has been made in the accounts based on the legal advice received whereby the solicitors are of the view that the Company and TMMB have a fair chance of defending the claim as the sale could not be completed due to non-fulfilment of the condition precedent to the agreement.

34 COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 | <u>2004</u> RM'000 | Company <u>2003</u> RM'000 |
|---|-----------------------|--------------------------------|-----------------------|----------------------------------|
| (a) Capital commitments: | | | | |
| Property, plant and equipment | | | | |
| Authorised but not contracted for | 569,894 | 316,841 | 446 | 525 |
| Contracted but not provided for in the financial statements | 88,102 | 62,553 | - | - |
| | 657,996 | 379,394 | 446 | 525 |
| Investments: | | | | |
| Contracted but not provided for in the financial statements | - | 515,286 | - | - |
| | - | 515,286 | - | - |
| Total | 657,996 | 894,680 | 446 | 525 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

34 COMMITMENTS (continued)

(b) Non-cancellable operating lease commitments

| | <u>2004</u> RM'000 | Group <u>2003</u> RM'000 | <u>2004</u> RM'000 | Company <u>2003</u> RM'000 |
|--|-----------------------|--------------------------------|-----------------------|----------------------------------|
| (i) For port equipment | | | | |
| Not later than 1 year | - | 4,191 | - | - |
| Later than 1 year and not later than 5 years | - | 760 | - | - |
| | - | 4,951 | - | - |
| (ii) For computer hardware | | | | |
| Not later than 1 year | 1,001 | 1,001 | - | - |
| Later than 1 year and not later than 5 years | 835 | 1,836 | - | - |
| | 1,836 | 2,837 | - | - |
| (iii) For the port area | | | | |
| Not later than 1 year | 2,000 | 2,000 | - | - |
| Later than 1 year and not later than 5 years | 105,373 | 107,373 | - | - |
| Later than 5 years | 580,578 | 580,578 | - | - |
| | 687,951 | 689,951 | - | - |
| (iv) For rental of office building and equipment | | | | |
| Not later than 1 year | 1,955 | 1,757 | - | - |
| Later than 1 year and not later than 5 years | 1,155 | 1,601 | - | - |
| | 3,110 | 3,358 | - | - |
| Total | 692,897 | 701,097 | - | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

35 SIGNIFICANT RELATED PARTY DISCLOSURES

Identity of related parties

The Group has a controlling related party relationship with its substantial shareholders, subsidiaries, associates, joint ventures and with its Directors and key management personnel and close members of their families.

Related party transactions

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

| | 2004 RM'000 | Group 2003 RM'000 | 2004 RM'000 | Company 2003 RM'000 |
|--|------------------------------|--------------------------------|------------------------------|----------------------------------|
| Transactions | | | | |
| Substantial shareholder: | | | | |
| Permodalan Nasional Berhad | | | | |
| Rental payable | 1,577 | 1,897 | - | - |
| Associates | | | | |
| Berjuntai Tin Dredging Berhad : | | | | |
| Interest received | (499) | (1,594) | (499) | (1,460) |
| MMC-GTM Bina Sama Sdn Bhd : | | | | |
| Management fees receivable | (490) | (1,156) | - | - |
| Balances in respect of non-trade transactions: | | | | |
| Associates | | | | |
| Advances due from : | | | | |
| Berjuntai Tin Dredging Berhad | 22,000 | 21,047 | 22,000 | 21,047 |
| MMC Metrail Sdn Bhd | 5,000 | - | 5,000 | - |

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

36 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Company applied four new MASB Standards, which became effective from 1 January 2003, and accordingly modified certain accounting policies.

(i) MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

(ii) Deconsolidation of a subsidiary

Official receivers had been appointed during the financial year ended 31 January 2001 for a subsidiary, MMCAK Sdn Bhd ("MMCAK") and the Group had lost effective control of MMCAK then. As the deconsolidation of MMCAK was not effected in the financial year ended 31 January 2001, a prior year adjustment is now effected. The effects of the change on the Group's financial statements is as follows:

The effect of the deconsolidation on the financial position of the Group was as follows:

| | <u>As date of loss of control</u> |
|---|-----------------------------------|
| | RM'000 |
| Current assets | - |
| Current liabilities | (1,768) |
| Amounts due to related companies | (12,620) |
| Net liabilities | (14,388) |
| Allowance for amount due from MMCAK | 15,565 |
| Gain on deconsolidation of a subsidiary company | 1,177 |
| Cash and cash equivalents deconsolidated | - |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

36 PRIOR YEAR ADJUSTMENTS (continued)

| | As previously reported RM'000 | Effects of change in (i) RM'000 | Effects of change in (ii) RM'000 | As restated RM'000 |
|-------------------------------|-------------------------------------|---------------------------------------|--|--------------------------|
| <u>Group</u> | | | | |
| As at 1 February 2002 | | | | |
| Retained earnings | 264,795 | 18,804 | (1,177) | 282,422 |
| Revaluation reserves | 30,139 | (2,019) | - | 28,210 |
| Year ended 31 January 2003 | | | | |
| Tax expense | | | | |
| - Company and subsidiaries | 20,810 | 190 | - | 21,000 |
| As at 31 January 2003 | | | | |
| Deferred taxation assets | | | | |
| (Note 36(i)) | - | 18,614 | - | 18,614 |
| Deferred taxation liabilities | | | | |
| (Note 36(i)) | 56,887 | 2,019 | - | 58,906 |
| Trade and other payables | | | | |
| (Note 36(ii)) | 362,295 | - | 1,177 | 363,472 |
| Retained earnings | 357,599 | 18,614 | (1,177) | 375,036 |
| Revaluation reserves | 30,139 | (2,019) | - | 28,120 |

| | As previously reported RM'000 | Effects of changes in policy RM'000 | As restated RM'000 |
|---------------------------------------|--|--|--------------------------|
| <u>Company</u> | | | |
| As at 1 February 2002 | | | |
| Retained earnings | 173,841 | 2,689 | 176,530 |
| As at 31 January 2003 | | | |
| Deferred taxation assets (Note 36(i)) | - | 2,689 | 2,689 |
| Retained earnings | 209,252 | 2,689 | 211,941 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:

Subsidiaries

| Name of company | Country of incorporation | Issue and paid-up capital at 31.1.2004 | Group's effective interest | | Principal activities during the financial year |
|--|--------------------------|--|----------------------------|------------------|--|
| | | | <u>2004</u> % | <u>2003</u> % | |
| Anglo-Oriental (Annuities) Sdn Bhd | Malaysia | 572,642,318 shares of RM1 each | 100.0 | 100.0 | Investment holding |
| Anglo-Oriental (Malaya) Sdn Bhd | Malaysia | 2,142,857 shares of RM1 each | 100.0 | 100.0 | Property and investment holding |
| Anglo-Oriental (Malaya) Trustees Sdn Bhd | Malaysia | 857 shares of RM1 each | 100.0 | 100.0 | Trust management |
| * Anglo-Oriental @@ (Nominees) Australia Pty Limited | Australia | 70,400,001 shares and 43,480,000 cumulative redeemable preference shares with no par value | 100.0 | 100.0 | Investment holding |
| Konsortium Lebuhraya Butterworth - Kulim (KLBK) Sdn Bhd | Malaysia | 5,000,000 shares of RM1 each | 100.0 | 100.0 | Construction and operation of privatised highway |
| Labohan Dagang Galian Sdn Bhd | Malaysia | 2 shares of RM1 each | 100.0 | 100.0 | Investment holding |
| * Malaysia Mining @@ Corporation Australia Pty Limited | Australia | 1,345,002 shares with no par value | 100.0 | 100.0 | Australian representation office of MMC |
| Pernas Charter Management Sdn Bhd | Malaysia | 1,000,000 shares of RM1 each | 100.0 | 100.0 | Mine management |
| Pesiaran Properties Sdn Bhd | Malaysia | 2 shares of RM1 each | 100.0 | 100.0 | Property investment |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Issue and paid-up capital at 31.1.2004 | Group's effective interest | | Principal activities during the financial year |
|--|--------------------------|--|----------------------------|------------------|--|
| | | | <u>2004</u> % | <u>2003</u> % | |
| Timah Dermawan Sdn Bhd | Malaysia | 10,000,000 shares of RM1 each | 51.8 | 55.7 | Tin mining operations |
| Timah Securities Berhad | Malaysia | 470,000 shares of RM1 each | 100.0 | 100.0 | Property investment |
| Tronoh Holdings (Selangor) Sdn Bhd | Malaysia | 451,000 shares of RM1 each | 100.0 | 100.0 | Property investment |
| MMC Engineering Group Berhad | Malaysia | 31,630,893 shares of RM1 each | 99.9 | 75.0 | Investment holding in engineering, construction and manufacturing |
| MMC Defence Sdn Bhd | Malaysia | 1,000,000 shares of RM1 each | 99.9 | 75.0 | Specialised defence engineering works |
| MMC Engineering & Construction Sdn Bhd | Malaysia | 2,000,000 shares of RM1 each | 99.9 | 75.0 | Civil engineering construction works |
| MMC Engineering Services Sdn Bhd | Malaysia | 35,000,000 shares of RM1 each | 99.9 | 75.0 | Specialised engineering construction works |
| MMC Oil & Gas Engineering Sdn Bhd | Malaysia | 500,002 shares of RM1 each | 99.9 | 75.0 | Specialised engineering design services |
| MMC Power Sdn Bhd | Malaysia | 100,000 shares of RM1 each | 99.9 | 75.0 | Erection of power transmission lines and installation of electrical and gas system |
| MMC Transport Engineering Sdn Bhd | Malaysia | 2 shares of RM1 each | 99.9 | 75.0 | Specialised engineering works |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Issue and paid-up capital at 31.1.2004 | Group's effective interest | | Principal activities during the financial year |
|---|--------------------------|--|----------------------------|------------------|--|
| | | | <u>2004</u> % | <u>2003</u> % | |
| MMC-GTM Bina Sama Sdn Bhd | Malaysia | 5,000,000 shares of RM1 each | 99.9 | 37.5 | Highway construction |
| MMC Shapadu (Holdings) Sdn Bhd | Malaysia | 25,255,000 shares of RM1 each | 76.0 | 76.0 | Investment holding |
| MMC Metal Industries Sdn Bhd | Malaysia | 9,720,000 shares of RM1 each | 75.8 | 56.9 | Manufacture and sale of steel castings |
| +++ Pelepas-Brigantine Container Services Sdn Bhd (a 50.1% owned subsidiary holds 70% of this company) | Malaysia | 50,000 shares of RM1 each | 35.1 | 35.1 | Repair, prepare and trade of containers, containerisation system and other related works |
| Tepat Teknik Sdn Bhd | Malaysia | 6,645,000 shares of | 70.0 | 52.5 | Construction and fabrication |
| Tepat Teknik (Kejuruteraan) Sdn Bhd | Malaysia | 100,000 shares of RM1 each | 70.0 | 52.5 | Construction and fabrication |
| Seginiaga Rubber Industries Sdn Bhd | Malaysia | 12,550,002 shares of RM1 each | 66.1 | 66.1 | Manufacture of weather strips |
| ++ Kramat Tin Dredging Berhad | Malaysia | 3,960,000 shares of RM1 each | 52.9 | 52.9 | Tin mining operations (under restructuring) |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

Subsidiaries (continued)

| Name of company | Country of incorporation | Issue and paid-up capital at 31.1.2004 | Group's effective interest | | Principal activities during the financial year |
|--|--------------------------|--|----------------------------|------------------|---|
| | | | <u>2004</u> % | <u>2003</u> % | |
| MMI Precision Sdn Bhd | Malaysia | 500,000 shares of RM1 each | 75.8 | 56.9 | Manufacture and sale of precision castings |
| +++ Pelabuhan Tanjung Pelepas Sdn Bhd | Malaysia | 200,000,000 shares of RM1 each | 50.1 | 50.1 | Port operations |
| * Pelantar Teknik (M) Sdn Bhd (a 76% owned subsidiary holds 55% of this company) | Malaysia | 5,000 shares of RM1 each | 41.8 | 41.8 | Property holding |
| * Gas Malaysia Sdn Bhd (a 76% owned subsidiary holds 55% of this company) | Malaysia | 42,800 shares of RM1,000 each | 41.8 | 41.8 | Construction and operation of natural gas distribution system |
| * Gas Malaysia (LPG) Sdn Bhd (a 76% owned subsidiary holds 55% of this company) | Malaysia | 10,000,000 shares of RM1 each | 41.8 | 41.8 | Supply of liquefied petroleum gas via reticulation system |
| * Kilang Papan Bukit Indah Sdn Bhd | Malaysia | 200,003 shares of RM1 each | - | 100.0 | Rental of sawmill |
| MMCAK Sdn Bhd | Malaysia | 2 shares of RM1 each | - | 41.3 | Civil construction works |

(i) The keys to the symbols used against the subsidiaries are as follows:

* Audited by firms other than PricewaterhouseCoopers, Malaysia

@@ Consolidated based on management financial statement

++ Quoted companies

+++ The financial year end of these companies are 31 December 2003 and therefore the results of these companies have been consolidated up to 31 December 2003.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

Associates

| Name of company | Country of incorporation | Group's effective interest | | Accounting date for inclusion of company results | Principal activities during the financial year |
|--|--------------------------|----------------------------|------------------|--|--|
| | | <u>2004</u> % | <u>2003</u> % | | |
| ++ Berjuntai Tin * Dredging Berhad | Malaysia | 28.6 | 28.6 | ** Half-year to 30.4.2003 + Half-year to 31.10.2003 | Tin dredging operations (under restructuring) |
| ++ Malakoff Berhad * | Malaysia | 22.6 | 22.9 | # 9 months to 31.8.2003 ## 3 months to 30.11.2003 | Power generation |
| ++ Malaysia Smelting * Corporation Berhad | Malaysia | 38.2 | 38.2 | = Year to 31.12.2003 | Tin smelting |
| ++ Tronoh Mines Malaysia Berhad | Malaysia | 39.2 | 52.3 | = Year to 31.1.2004 | Investment holding and tin mining operations (reduced scale) |
| MMC Metrail Sdn Bhd | Malaysia | 20.0 | 15.0 | = Year to 31.12.2003 | Design and build of public light rail system |
| * M.O.S.T. Power JV Sdn Bhd | Malaysia | 22.2 | 22.5 | + Year to 31.12.2003 | Erection of power transmission lines |
| * Golden Solitaire @@ (Australia) B.V. | Netherlands | 58.9 | 68.2 | = Year to 31.1.2004 | Investment holding |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

The keys to the symbols used against the associates are as follows:

- = Audited financial statements
- * Audited by firms other than PricewaterhouseCoopers, Malaysia
- ** Audited financial statements for the financial year less the previous half-yearly unaudited interim financial statements
- + Unaudited financial statements
- ## First quarter interim announcement
- # Audited financial statements for the financial year less the first quarter interim announcement
- ++ Quoted companies
- @@ Consolidated based on management financial statement

Principal investments (shown as part of other investments)

| Name of company | Country of incorporation | Group's effective interest | | Principal activities during the financial year |
|--|--------------------------|----------------------------|-------------|---|
| | | <u>2004</u> | <u>2003</u> | |
| ++ Sime Darby Berhad | Malaysia | 5.3 | 5.3 | Plantations, trading, manufacturing and property development |
| City View Energy Corporation Limited | Australia | 12.3 | 12.3 | Investment holding with interests in the oil and gas industry |
| + Suasa Unik (M) Sdn Bhd | Malaysia | 19.6 | 26.2 | Manufacture of ductile iron pipes (under receivership by Danaharta) |
| + Hillgrove Gold NL (a 39.2% owned associate holds 61.9% of this company) | Australia | 24.3 | 32.4 | Gold and antimony mining (in receivership) |

The keys to the symbols used against the principal investments are as follows:

- + Not consolidated as the Group no longer has control as these companies are under receivership.
- ++ Quoted companies

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

Inactive subsidiaries

| Name of company | Country of incorporation | Group's effective interest | |
|---|--------------------------|----------------------------|------------------|
| | | <u>2004</u> % | <u>2003</u> % |
| Amalan Rantau (M) Sdn Bhd | Malaysia | 100.0 | 100.0 |
| Anglo-Oriental Nominees Sdn Bhd | Malaysia | 100.0 | 100.0 |
| Bidor Malaya Tin Sdn Bhd | Malaysia | 100.0 | 100.0 |
| Dana Vision Sdn Bhd | Malaysia | 100.0 | 100.0 |
| London Tin (Malaysia) Berhad | Malaysia | 100.0 | 100.0 |
| MMC Aviation Sdn Bhd | Malaysia | 100.0 | 100.0 |
| * MMC Belgium NV | Belgium | 100.0 | 100.0 |
| * MMC Exploration & Production (Thailand) Ltd | Thailand | 100.0 | 100.0 |
| * MMC Exploration & Production (BV) | Netherlands | 100.0 | 100.0 |
| * MMC Exploration & Production (Philippines) | Philippines | 100.0 | 100.0 |
| MMC Frigstad Offshore Sdn Bhd | Malaysia | 100.0 | 100.0 |
| * MMC Japan Limited (under liquidation) | Japan | 100.0 | 100.0 |
| MMC Marketing Sdn Bhd | Malaysia | 100.0 | 100.0 |
| MMC Ports Sdn Bhd | Malaysia | 100.0 | 100.0 |
| * MMC (US) Inc | USA | 100.0 | 100.0 |
| MMC Utilities Berhad | Malaysia | 100.0 | 100.0 |
| More Furniture Ideas (M) Sdn Bhd | Malaysia | 100.0 | 100.0 |
| Projek Lebuhraya Timur Sdn Bhd | Malaysia | 100.0 | 100.0 |
| * Southern Kinta Consolidated Limited | England | 100.0 | 100.0 |
| Southern Kinta Consolidated (M) Berhad | Malaysia | 100.0 | 100.0 |
| Southern Malayan Tin Dredging (M) Berhad | Malaysia | 100.0 | 100.0 |
| Sumbangan Rantau (M) Sdn Bhd | Malaysia | 100.0 | 100.0 |
| D.V. Research Sdn Bhd | Malaysia | 100.0 | 100.0 |
| Alam Dergahayu (Johor) Sdn Bhd | Malaysia | 99.9 | 75.0 |
| Eastern Waste Management Sdn Bhd | Malaysia | 99.9 | 75.0 |
| * MMC EG Co. Ltd | Mongolia | 90.0 | 90.0 |
| MMI Foundry Sdn Bhd | Malaysia | 75.8 | 56.9 |
| Tepat Teknik (Sarawak) Sdn Bhd | Malaysia | 70.0 | 52.5 |
| Wangsa Struktur Sdn Bhd | Malaysia | 65.0 | 65.0 |

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

37 COMPANIES IN THE GROUP (continued)

Inactive associates

| Name of company | Country of incorporation | Group's effective interest | |
|---|--------------------------|----------------------------|-------------|
| | | <u>2004</u> | <u>2003</u> |
| | | % | % |
| * Ajil Minerals Sdn Bhd | Malaysia | 49.0 | 49.0 |
| * PKB-MMC Sdn Bhd | Malaysia | 49.0 | 49.0 |
| * Taldy Bulak Mining Corporation | Kyrgyz Republic | 40.0 | 40.0 |
| * Mining and General Management Company Limited | Thailand | 35.0 | 35.0 |
| MMC-LDAH Concrete Sdn Bhd | Malaysia | 33.7 | 33.7 |
| * Kuala Langat Mining Sdn Bhd | Malaysia | 32.6 | 32.6 |

The key to the symbol used against the subsidiaries and associates are as follows:

* Audited by firms other than PricewaterhouseCoopers, Malaysia

38 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) During the quarter ended 30 April 2003, MMC Engineering Group Berhad, a 74.99% owned subsidiary, deconsolidated the results of its wholly owned subsidiary, MMCAK Sdn Bhd following confirmation that the High Court of Malaya has granted an order to wind-up MMCAK Sdn Bhd. The deconsolidation has been accounted for as a prior year adjustment as disclosed in Note 36.
- (ii) On 9 May 2003, the Company's wholly owned subsidiary, MMC Marketing Sdn Bhd, disposed off 200,003 ordinary shares of RM1.00 each representing the entire issued and fully paid-up share capital in Kilang Papan Bukit Indah Sdn Bhd for a cash consideration of RM388,888.
- (iii) On 6 June 2003, MMC Engineering Group Berhad, a 74.99% owned subsidiary, completed its acquisition of the remaining 50% equity interest in MMC-GTM Bina Sama Sdn Bhd, representing 2,500,000 ordinary shares of RM1.00 each for a total cash consideration of RM3.167 million, making it a wholly-owned subsidiary of MMC Engineering Group Berhad.
- (iv) On 6 November 2003, the Company entered into a Shareholders' Agreement with Gamuda Berhad to undertake and implement the Electrified Double-Tracking between Ipoh-Padang Besar and Seremban-Johor Bahru Project pursuant to the Letter of Award dated 21 October 2003 issued by the Government of Malaysia.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

38 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

The Company had announced on 27 January 2004, that the Company has received a letter from the Government informing the Company that the Government has decided to postpone the implementation of the Double Tracking Project to a later date.

- (v) On 2 December 2003, the Company entered into an EPC Joint Venture Agreement with Gamuda Berhad to form a 50%-50% interest in an unincorporated joint venture for the purpose of undertaking and implementing the project known as the Stormwater Management and Road Tunnel project as an EPC Contractor. On the same date, MMC Engineering Group Berhad, a subsidiary company, entered into a Deed of Revocation with Gamuda Berhad revoking the joint venture agreement dated 26 July 2002.
- (vi) During the current financial year, Tronoh Mines Malaysia Berhad ("TMMB"), a 52.3% owned subsidiary, acquired additional 71,147,534 issued and paid up share capital of IJM Corporation Berhad ("IJM"), representing approximately 18.97% equity interest for a cash consideration of RM352,075,543, making it an associated company of the Group. TMMB purchased 15,891,828 IJM 2000/2004 warrants representing approximately 25.64% of the existing unexercised IJM warrants, for a cash consideration of RM31,147,983.

Further to the acquisition, TMMB, has received a notice of allotment from IJM for distribution of IJM Plantations Berhad ("IJMP") ordinary shares at RM0.50 each to the shareholders of IJM on the basis of two (2) ordinary shares in IJMP for every five (5) ordinary shares of IJM held at no cost. Therefore, TMMB has received 28,857,014 IJMP shares for 72,142,534 of IJM shares held by TMMB on 31 October 2003.

- (vii) On 27 October 2003, TMMB made a renounceable rights issue of 154,736,775 new ordinary shares of RM1.00 each in TMMB at an issue price of RM1.00 each, payable in full upon acceptance, on the basis of five new ordinary shares at par for every two existing ordinary shares held on 23 October 2003. The new shares were granted for listing and quotation on 12 December 2003.
- (viii) On 12 December 2003, TMMB acquired the entire issued and paid up share capital of Zelan Holdings (M) Sdn Bhd, comprising 5,000,000 ordinary shares of RM1.00 each, for a purchase consideration of RM140,000,000, as disclosed in Note 12 to the financial statements.

Following the acquisition, the Company's shareholdings in TMMB has reduced to 39.2% making TMMB an associated company of the Company.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

38 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (ix) During the current financial year, pursuant to the Voluntary General Offer ("VGO") to acquire the remaining 7,910,268 ordinary shares of RM1.00 each in MMC Engineering Group Berhad ("MMCEG"), representing approximately 25.01% of the issued and fully paid-up share capital of MMCEG, the Company, as at financial year end, held approximately 99.99% of the issued and fully paid-up share capital of MMCEG as disclosed in Notes 12 to the financial statements. With the completion of the VGO, MMCEG was delisted from the Malaysia Securities Exchange Berhad ("MSEB").

- (x) The Securities Commission ("SC") had via its letter dated 11 November 2003, approved Berjantai Tin Dredging Berhad's ("BTD") Proposed Restructuring Scheme. As part of the SC approval conditions, BDO Binder had on 18 December 2003 been appointed as the investigative auditor for BTD. The investigative audit report will be duly submitted to the SC in compliance with the SC approval conditions.

The MSEB had on 4 February 2004 cleared BTD's Extraordinary General Meeting ("EGM") circular. The EGM Circular was dispatched to the shareholders on 6 February 2004. All of the resolutions as set out in the Notice of EGM were duly passed at the EGM held on 5 March 2004.

The Scheme is currently pending the approvals of the High Court, and the listing and quotation of the new BTD shares pursuant to the Restructuring Scheme. Upon completion of the Restructuring Scheme, BTD will continue to be an associate of the Group.

On 9 March 2004, BTD has changed its name to Integrated Rubber Corporation Berhad.

- (xi) On 30 January 2004, the Company announced that its 99.99% owned subsidiary, MMC Engineering Group Berhad had proposed to dispose off a total of 700,000 ordinary shares of RM1.00 each, representing 70% of the issued and paid up share capital of MMC Defence Sdn Bhd for a cash consideration of RM2.835 million. The proposed disposal is still subject to the approval of the Foreign Investment Committee.

39 FINANCIAL INSTRUMENTS

Forward foreign currency exchange contracts

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by the Group in currencies other than their functional currency. The Group enter into forward foreign currency exchange contracts to limit their exposure on foreign currency with a value higher than RM100,000.

notes to the financial statements

for the financial year ended 31 January 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

39 FINANCIAL INSTRUMENTS (continued)

As at 31 January 2004, the settlement dates on open forward contracts ranged between 1 and 6 months (31.1.2003: NIL). The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts were as follows:

| Hedged item | Currency to be received | RM'000 equivalent | Contractual rate |
|---|-------------------------------|----------------------|------------------|
| At 31 January 2004 | | | |
| Trade receivables: | | | |
| - USD 115,263 | USD | 439 | 1 USD=RM 3.8062 |
| - AUD 34,061 | AUD | 95 | 1 AUD=RM 2.8010 |
| Future sales of goods over the following 6 months: | | | |
| - USD 172,895 | USD | 659 | 1 USD=RM 3.8124 |
| - AUD 56,768 | AUD | 159 | 1 AUD=RM 2.7932 |

The net unrecognised loss on open contracts which cover anticipated future foreign currency sales amounted to RM3,947. The net exchange loss is deferred until the related sales is transacted, at which time it is included in the measurement of such transactions.

The fair value of outstanding forward contracts of the Group at the balance sheet date was at a favourable net position of RM6,958.

Fair value

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximate their fair values except as disclosed in Note 24.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 March 2004.

shareholding statistics

as at 6 April 2004

MALAYSIA MINING CORPORATION BERHAD

| | No. of shareholders | % of shareholders | No. of shares held | % of issued capital |
|---|------------------------|----------------------|-----------------------|------------------------|
| Size of Holding | | | | |
| Less than 100 shares | 212 | 1.58 | 5,876 | 0.00 |
| 100 to 1,000 | 3,188 | 23.84 | 2,870,901 | 0.25 |
| 1,001 to 10,000 | 8,207 | 61.37 | 33,670,055 | 2.99 |
| 10,001 to 100,000 | 1,535 | 11.48 | 43,143,160 | 3.83 |
| 100,001 to less than 5% of issued shares | 227 | 1.69 | 179,899,454 | 15.97 |
| 5% and above of issued shares | 5 | 0.04 | 867,023,600 | 76.96 |
| Total | 13,374 | 100.00 | 1,126,613,046 | 100.00 |

GEOGRAPHICAL

| | | | | |
|------------------------------------|---------------|---------------|----------------------|---------------|
| Malaysia | 11,068 | 82.76 | 1,042,395,803 | 92.52 |
| Singapore | 343 | 2.56 | 5,140,377 | 0.46 |
| United Kingdom and other countries | 1,963 | 14.68 | 79,076,866 | 7.02 |
| Total | 13,374 | 100.00 | 1,126,613,046 | 100.00 |

CATEGORY

| | | | | |
|----------------------------|---------------|---------------|----------------------|---------------|
| Individuals | 9,859 | 73.72 | 59,491,747 | 5.28 |
| Banks | 60 | 0.45 | 1,262,500 | 0.11 |
| Nominee companies | 3,182 | 23.79 | 779,360,826 | 69.18 |
| Insurance companies | 5 | 0.04 | 2,266,900 | 0.20 |
| Other limited companies | 220 | 1.64 | 211,290,928 | 18.75 |
| Pension funds and trustees | 32 | 0.24 | 12,359,968 | 1.10 |
| Other | 16 | 0.12 | 60,580,177 | 5.38 |
| Total | 13,374 | 100.00 | 1,126,613,046 | 100.00 |

substantial shareholders

as at 6 April 2004

MALAYSIA MINING CORPORATION BERHAD

| | Direct | No. of Shares | | |
|---|-------------|---------------|--------------|-------|
| | | % | Indirect | % |
| Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputra) | 376,572,200 | 33.43 | - | - |
| Seaport Terminal (Johor) Sdn Bhd | 451,662,000 | 40.09 | - | - |
| Employees Provident Fund | 72,583,700 | 6.44 | - | - |
| Indra Cita Sdn Bhd | - | - | *451,662,000 | 40.09 |
| Tan Sri Dato' Syed Mokhtar Shah bin Syed Nor | - | - | ^451,662,000 | 40.09 |

Notes: * deemed interested through Seaport ^ deemed interested through Indra Cita

thirty largest shareholders

as at 6 April 2004

| | Name | No. of | % of |
|----|---|-------------|----------------|
| | | shares held | issued capital |
| 1 | Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputra | 376,572,200 | 33.43 |
| 2 | Seaport Terminal (Johore) Sdn Bhd | 184,270,000 | 16.36 |
| 3 | Mohaiyani Nominees (Tempatan) Sdn Bhd Impian Teladan Sdn Bhd | 147,500,000 | 13.09 |
| 4 | Mohaiyani Nominees (Tempatan) Sdn Bhd Seaport Terminal (Johore) Sdn Bhd | 101,000,000 | 8.96 |
| 5 | Employees Provident Fund Board | 57,681,400 | 5.12 |
| 6 | Impian Teladan Sdn Bhd | 18,892,000 | 1.68 |
| 7 | Mayban Nominees (Asing) Sdn Bhd The Straits Trading Company Limited (N14011200404) | 15,400,947 | 1.37 |
| 8 | Universal Trustee (Malaysia) Berhad Mayban Unit Trust Fund | 7,200,000 | 0.64 |
| 9 | Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020 | 6,396,000 | 0.57 |
| 10 | Mayban Nominees (Tempatan) Sdn Bhd Kumpulan Wang Simpanan Pekerja (N14011980810) | 5,800,000 | 0.51 |

thirty largest shareholders

as at 6 April 2004 (continued)

MALAYSIA MINING CORPORATION BERHAD

| | | | |
|----|---|-----------|------|
| 11 | Citicorp Nominees (Asing) Sdn Bhd Investors Pacific International Fund | 4,660,000 | 0.41 |
| 12 | Citicorp Nominees (Asing) Sdn Bhd Sunnyvale Holdings Ltd | 4,177,000 | 0.37 |
| 13 | Universal Trustee (Malaysia) Berhad Mayban Balanced Trust Fund | 3,684,000 | 0.33 |
| 14 | Permodalan Nasional Berhad | 3,045,432 | 0.27 |
| 15 | Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Nasional | 3,015,300 | 0.27 |
| 16 | Citicorp Nominees (Asing) Sdn Bhd DFA Emerging Markets Fund | 2,794,000 | 0.25 |
| 17 | HSBC Nominees (Tempatan) Sdn Bhd Employees Provident Fund | 2,764,300 | 0.25 |
| 18 | Mayban Securities Nominees (Tempatan) Sdn Bhd Ong Huey Peng (REM650) | 2,372,600 | 0.21 |
| 19 | Mayban Nominees (Tempatan) Sdn Bhd Public Regular Savings Fund (N14011940100) | 2,288,900 | 0.20 |
| 20 | Menteri Kewangan Malaysia Section 29 (SICDA) | 2,279,115 | 0.20 |
| 21 | HSBC Nominees (Tempatan) Sdn Bhd Amanah Saham Sarawak | 2,227,000 | 0.20 |
| 22 | Cartaban Nominees (Asing) Sdn Bhd Julius Baer Multistock Pacific Stock Fund | 2,100,000 | 0.19 |
| 23 | Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia | 2,059,000 | 0.18 |
| 24 | BBMB Securities Nominees (Tempatan) Sdn Bhd Petroleum Nasional Berhad | 2,048,000 | 0.18 |
| 25 | OSK Nominees (Asing) Sdn Bhd Lee Kim Tah Private Limited | 2,000,000 | 0.18 |
| 26 | Am Nominees (Tempatan) Sdn Bhd AmFinance Berhad | 1,996,500 | 0.18 |
| 27 | Am Nominees (Tempatan) Sdn Bhd AmMerchant Bank Berhad | 1,939,800 | 0.17 |
| 28 | Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company for Ishares, Inc. | 1,925,000 | 0.17 |
| 29 | Chan Wan Moi | 1,823,000 | 0.16 |
| 30 | Citicorp Nominees (Asing) Sdn Bhd FPP Emerging Markets Fund II Limited | 1,681,000 | 0.15 |

| | | | |
|--------------|--|--------------------|--------------|
| TOTAL | | 971,592,494 | 86.24 |
|--------------|--|--------------------|--------------|

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list of properties

held by MMC and its subsidiaries as at 31 January 2004

| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building (years) | Year of acquisition |
|--|----------|--------------------|------------------------------|-------------------|-------------------------------|-------------------------------|------------------------|
| Perak Darul Ridzuan | | | | | | | |
| Lot Nos. 1023, 2447, 2669, 2907, 2951, 2954, 3031, 3064, 3065, 4263 & 6680, Batang Padang, Daerah Batang Padang | Freehold | 12.91 | Agricultural land/vacant | - | 190 | - | 1968-1973 |
| Lot Nos. 88-90, 980-983, 985, 987, 994, 1385-1389, 1392-1396, 1413, 1912, 2397, 2398, 2410-2415, 2492-2495, 2665 & 2666, Batang Padang, Daerah Batang Padang | Freehold | 41.25 | Agricultural land/vacant | - | 1 | - | 1980-1992 |
| Lot Nos. 712 & 3501, Bidor, Daerah Batang Padang | Freehold | 1.21 | Agricultural land/vacant | - | 14 | - | 1968 & 1978 |
| Lot Nos. 5072, 5073 & 5708, Changkat Jong, Daerah Hilir Perak | Freehold | 8.51 | Agricultural land/vacant | - | 99 | - | 1975 |
| Lot Nos. 1894 & 2136, Chenderiang, Daerah Batang Padang | Freehold | 2.82 | Agricultural land/vacant | - | 28 | - | 1990 |
| Lot No. 6654, Chenderiang, Daerah Batang Padang | Freehold | 5.73 | Agricultural land/vacant | - | 85 | - | 1959 |
| Lot Nos. 1257, 1258, 1513-1516, 1682, 1683, 1685, 1687-1689, 1765, 1767-1784, 1786, 1789-1792, 2116-2119, 2448-2450, 2446, 2447, 2451, 2452-2469, 2539, 2573, 2900-2902, 4070-4077, Pasir Panjang Ulu, Daerah Perak Tengah | Freehold | 110.86 | Agricultural land/vacant | - | 629 | - | 1982-1992 |
| Lot Nos. 3741, 4871, 9472, 18023 & 33334, Kampar, Daerah Kinta | Freehold | 3.73 | Agricultural land/vacant | - | 43 | - | 1935-1938 |



| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building (years) | Year of acquisition |
|---|-----------|--------------------|--|-------------------|-------------------------------|-------------------------------|------------------------|
| Perak Darul Ridzuan (continued) | | | | | | | |
| Lot No. 1642, Kampung Gajah, Daerah Perak Tengah | Freehold | 1.12 | Agricultural land | - | 6 | - | 1988 |
| Lot Nos. 1007, 74651 & 158405, Sungai Terap, Daerah Kinta | Leasehold | 7.29 | Office/ workshop | 2030- 2050 | 4,224 | 12-34 | 1970-1990 |
| Lot Nos. 13524 & 13525, Batang Padang, Daerah Batang Padang | Leasehold | 11.91 | Mining land | 2006 | 1 | - | 2003 |
| Lot No. 3436, Kg. Gajah, Daerah Perak Tengah | Leasehold | 7.00 | Mining land | 2008 | 1 | - | 1988 |
| Lot No. 35701, Tanjung Tualang, Daerah Kinta | Leasehold | 15.35 | Industrial land/ campsite | 2011 | 122 | - | 1991 |
| Lot Nos. 42772 & 155488, Sungai Terap, Daerah Kinta | Leasehold | 35.63 | Housing development project (pending issue of replacement title for 99 years) | - | 1 | - | - |
| Lot No. 12803, Sungai Terap, Daerah Kinta | Freehold | 1.08 | Residential building | - | 97 | 47 | 1934 |
| Lot Nos. 31672, 31673 & 42229, Sungai Terap, Daerah Kinta | Freehold | 1.34 | Agricultural land/ vacant | - | 5 | - | 1965 & 1966 |
| Lot Np. 10318, Sungai Raia, Daerah Kinta | Freehold | 1.07 | Agricultural land/ vacant | - | 4 | - | 1980 |
| Lot No. 437, Kampar, Daerah Kinta | Leasehold | 0.41 | Agricultural land/vacant | 2885 | 4 | - | 1937 |
| PT 1338, Chenderiang, Daerah Batang Padang | Leasehold | 52.21 | Industrial land | 2031 | 208 | - | 2001 |

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list of properties

held by MMC and its subsidiaries as at 31 January 2004
(continued)

| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building (years) | Year of acquisition |
|--|-----------|--------------------|--------------------------------|-------------------|-------------------------------|-------------------------------|------------------------|
| Perak Darul Ridzuan (continued) | | | | | | | |
| PT 3087, Batang Padang, Daerah Batang Padang | Leasehold | 5.62 | Industrial land | 2031 | 22 | - | 2001 |
| PT 1341, Chenderiang, Daerah Batang Padang | Leasehold | 4.86 | Proposed lime plant site | 2101 | 192 | - | 2002 |
| Lot Nos. 3906, 5009 & 5010, Chenderiang, Daerah Batang Padang | Freehold | 3.44 | Agricultural land/vacant | - | 84 | - | 1965 |
| Selangor Darul Ehsan | | | | | | | |
| Lot Nos. 552, 596, 866, 867 & 1833, Batang Kali, Daerah Ulu Selangor | Freehold | 6.37 | Agricultural land/vacant | - | 53 | - | 1940-1968 |
| Lot No. 25176, Bukit Raja, Daerah Klang | Leasehold | 2.33 | Industrial land | 2088 | 1,476 | 23 | 1992 |
| PT 720, Shah Alam, Daerah Petaling | Leasehold | 0.71 | Workshop/ office building | 2018 | 2,474 | 14 | 1988 |
| Lot Nos. 1604, 1605 & 1608, Klang, Daerah Klang | Freehold | 4.25 | Workshop | - | 7,753 | 8-13 | 1990-1995 |
| Lot Nos. 3521, 3522 & 7437, Ulu Langat, Daerah Kajang | Freehold | 5.25 | Residential building/vacant | - | 424 | 35 | 1987 |
| PT 15752, Damansara, Daerah Petaling | Leasehold | 2.13 | Office building | 2094 | 4,902 | 9 | 1994 |
| Kajang, Daerah Ulu Langat | Leasehold | 1,653 sq. m. | Office building | 2099 | 377 | 4 | 2000 |
| Serendah, Daerah Shah Alam | Leasehold | 227 sq. m. | District station | 2101 | 98 | - | 2002 |
| Negeri Sembilan Darul Khusus | | | | | | | |
| PT 13199, Labu, Daerah Seremban | Freehold | 0.43 | Residential building | - | 1,338 | 4 | 2000 |
| Lot Nos. 762 & 763, Setul, Daerah Seremban | Leasehold | 5.56 | Factory building | 2088 | 27,838 | 12 | 1992 |



| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building (years) | Year of acquisition |
|---|-----------|--------------------|---|-------------------|-------------------------------|-------------------------------|------------------------|
| Negeri Sembilan Darul Khusus (continued) | | | | | | | |
| Lot No. 752, Setul, Daerah Seremban | Leasehold | 2.02 | Defence workshop | 2089 | 2,492 | 13 | 1991 |
| Lot Nos. 627 & 760, Pasir Panjang, Daerah Port Dickson | Freehold | 0.51 | Residential building/holiday bungalow | - | 1,857 | 56 | 1956 |
| Lot Nos. 3920 & 3921, Pasir Panjang, Daerah Port Dickson | Freehold | 0.11 | Residential building/holiday bungalow | - | 264 | 23 | 1983 |
| Lot No. 15698, Senawang, Daerah Seremban | Freehold | 153 sq. m. | Office building | - | 236 | 9 | 1995 |
| PT 1287, Senawang, Daerah Seremban | Freehold | 168 sq. m. | District station | - | 24 | - | 1995 |
| Pulau Pinang | | | | | | | |
| Lot Nos. 87, 88, 394 & 395, Mukim 17, Daerah Batu Ferringhi | Freehold | 11.97 | Building site | - | 6,694 | - | 1950 |
| Mukim 11, Daerah Seberang, Perai Tengah | Leasehold | 0.14 | District station | 2060 | 300 | - | 2000 & 2001 |
| Kedah Darul Aman | | | | | | | |
| Kulim Hi-Tech | Freehold | 1.25 | District station | - | 186 | - | 2003 |
| Pahang Darul Makmur | | | | | | | |
| Lot No. 211, Tanah Rata, Daerah Cameron Highland | Leasehold | 0.35 | Building site | 2040 | 133 | - | 1982 |
| Lot No. 1821, Tras, Daerah Raub | Leasehold | 0.40 | Residential building/holiday bungalow | 2028 | 333 | 52 | 1956 |
| PT 7503, Sungai Karang, Daerah Kuantan | Leasehold | 1.21 | Office building | 2064 | 450 | 8 | 1994 |

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list of properties

held by MMC and its subsidiaries as at 31 January 2004
(continued)

| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building (years) | Year of acquisition |
|---|-----------|--------------------|------------------------------|-------------------|-------------------------------|-------------------------------|------------------------|
| Pahang Darul Makmur (continued) | | | | | | | |
| Lot No. 102, Sungai Karang, Daerah Kuantan | Leasehold | 307 sq. m. | District station | 2101 | 69 | - | 2002 |
| Terengganu Darul Iman | | | | | | | |
| Lot No. 580, Banggul, Daerah Kemaman | Freehold | 0.81 | Workshop | - | 1,326 | 10 | 1990 |
| PT 4734, Teluk Kelung, Daerah Kemaman | Leasehold | 4.05 | Industrial land/vacant | 2056 | 514 | - | 1996 |
| Lot Nos. 986-1009, 1072-1095, Banggul, Daerah Kemaman | Freehold | 1.11 | Building/ vacant | - | 503 | 13 | 1995 |
| Melaka | | | | | | | |
| PT 1510, Kelemak, Daerah Alor Gajah | Leasehold | 143 sq. m. | Office building | 2091 | 185 | 4 | 2000 |
| PT 4135, Kelemak, Daerah Alor Gajah | Leasehold | 168 sq. m. | District station | 2100 | 27 | - | 2001 |
| Johor Darul Takzim | | | | | | | |
| PT 115555, Plentong, Daerah Pasir Gudang | Leasehold | 1.30 | Office building | 2055 | 1,043 | 8 | 1993 |
| PT 20267, Kluang, Daerah Kluang | Freehold | 153 sq. m. | Office building | - | 139 | 9 | 1995 |
| Plentong, Daerah Pasir Gudang | Leasehold | 0.12 | District station | 2058 | 48 | - | 1998 |
| PT 148061 & 128156, Plentong, Daerah Pasir Gudang | Leasehold | 336 sq. m. | District station | 2097 | 79 | - | 1995 & 1996 |
| Kluang, Daerah Kluang | Leasehold | 226 sq. m. | District station | 2055 | 42 | - | 1995 & 1998 |
| Tebrau, Daerah Johor Bahru | Leasehold | 182 sq. m. | District station | 2062 | 81 | - | 2002 |



| Location | Tenure | Area (hectares) | Description/ existing use | Year of expiry | Net book value (RM'000) | Age of building (years) | Year of acquisition |
|--|------------------------|--------------------|--|-------------------|-------------------------------|-------------------------------|------------------------|
| Johor Darul Takzim (continued) | | | | | | | |
| Senai, Daerah Johor Bahru | Leasehold | 168 sq. m. | District station | 2062 | 75 | - | 2002 |
| PTD 3527, Johor Bahru | Leasehold | 11.13 | District station | 2063 | 11,935 | - | 2003 |
| Lot No. 2423, Tanjung Kupang, Daerah Johor Bahru | Leasehold | 349.04 | Port terminal and buildings | 2099 | 1,387,447 | 4 | 2000 |
| Lot Nos. 2424-2504, 2514, 2516, 2517, 2519-2521, Tanjung Kupang, Daerah Johor Bahru | Leasehold | 726.52 | Commercial and industrial land | 2099 | - | - | 2000 |
| Lot No. 1586, Serkat, Daerah Pontian | Grant in perpetuity | 114.92 | Land for port terminal and buildings | - | - | - | 2001 |
| Kuala Lumpur | | | | | | | |
| 33 to 33-3, Jalan Setiawangsa, 11-55A, Taman Setiawangsa | Freehold | 450 sq. m. | Shop house/ office building | - | 273 | 16 | 1994 |
| 2, Persiaran Hampshire | Freehold | 0.51 | Residential building | - | 2,383 | 52 | 1950 |
| 4, Persiaran Hampshire | Freehold | 0.52 | Residential building | - | 8,646 | 61 | 1992 |
| 26, Langgak Golf | Freehold | 0.53 | Residential building | - | 3,149 | 51 | 1951 |
| 28, Langgak Golf | Freehold | 0.61 | Residential building | - | 3,060 | 51 | 1951 |
| PT 21, Persiaran Raja Chulan | Freehold | 0.61 | Vacant land | - | 3,379 | - | 2000 |
| 34, Ampang Hilir | Freehold | 0.42 | 18 units of apartments | - | 3,196 | 2 | 1994 |
| Strata title (21 units) "Sri Kenny" 28, Jalan Tun Ismail | Freehold | 59,086 sq. ft. | Apartments | - | 3,753 | 10 | 1994 |

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Eighth Annual General Meeting (AGM) of members of Malaysia Mining Corporation Berhad will be held at the Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur, Malaysia on Friday, 28 May 2004 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

ORDINARY BUSINESS

1. "THAT the Directors' Report and Financial Statements for the year ended 31 January 2004 and the Auditors' Report thereon be and are hereby received."
2. "THAT the final dividend of 3 sen per share, less tax at 28% and 2 sen per share, tax exempt, for the year ended 31 January 2004 be and is hereby approved and declared payable on 29 June 2004 to the members of the Company registered at the close of business on 4 June 2004."
3. "THAT the following Directors, who retire in accordance with Articles 77 and 84 of the Company's Articles of Association, be and are hereby re-elected Directors of the Company:

Article 77

- a) Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob
- b) Dato' Hilmi bin Mohd. Noor
- c) Dato' Abdullah bin Mohd. Yusof

Article 84

- a) Encik Feizal Ali
4. "THAT YBhg Tan Sri Dato' Thong Yaw Hong, who retires pursuant to Section 129 (6) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next AGM."

5. "THAT the Directors' fees for the year ended 31 January 2004 amounting to RM495,000 be and is hereby approved."
6. "THAT PricewaterhouseCoopers, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed Auditors of the Company until the conclusion of the next AGM and that the remuneration to be paid to them be fixed by the Board."

SPECIAL BUSINESS

By way of special business to consider and, if thought fit, passing the following resolutions:

Ordinary Resolution

Authority to Allot Shares

7. "THAT pursuant to Section 132D of the Companies Act, 1965, the Board of Directors be and is hereby empowered to issue shares of the Company at any time until the conclusion of the next AGM of the Company upon such terms and conditions and for such purpose as the Board of Directors may, in its absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued and paid-up capital of the Company at the time of issue AND THAT the Board of Directors be and also empowered to obtain the approvals of the Malaysia Securities Exchange Berhad for the listing of and quotation for the additional shares and other relevant approvals as may be necessary."

Special Resolution

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

8. "That a new Article 146A be inserted as follows:
146A. Any notice may also be served by the company

via electronic mail to a specified address of such member who has given such address to the Company for the purpose of communication."

Special Resolution

PROPOSED CHANGE OF NAME

9. "That the name of the Company be and is hereby changed from Malaysia Mining Corporation Berhad to MMC Corporation Berhad with effect from the date of issuance of the certificate of the change of name to be issued by the Companies Commission of Malaysia AND THAT the Directors and the Secretary of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the change of name."

CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN THAT shareholders who are registered in the Record of Depositors at the close of business on 4 June 2004 shall be entitled to the final dividend which will be paid on 29 June 2004.

A depositor shall qualify for dividend entitlement only in respect of:

- a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 4 June 2004 in respect of ordinary transfers; and
- b) Shares bought on the Malaysia Securities Exchange Berhad (MSEB) on a cum entitlement basis according to the Rules of the MSEB.

BY ORDER OF THE BOARD

Elina Mohamed
Muhammad Firdaus Abdullah
Secretaries

Kuala Lumpur
6 May 2004

Notes:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. A proxy form is enclosed and to be valid, must reach the Registrar, Signet Share Registration Services Sdn Bhd at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia not less than forty-eight hours before the meeting.

Explanatory Notes to the Special business:

Resolution No. 7

If passed, this resolution will give the Directors of the Company the authority to issue shares in the Company up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the Company's interest. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the Company's next AGM.

Resolution No. 8

The proposed adoption of the Article is in line with the development in electronic communications. If passed, this will give the Company authority to communicate with its shareholders through electronic mail.

Resolution No. 9

The Company has undergone a transformation from a predominantly mining company into one that is focused on transport & logistics, energy & utilities and engineering & construction. As a result of this transformation, the Company's interests in mining activities have been minimal. It is proposed that the name of the Company be changed to better reflect its new core businesses and the change in the Company's focus. This Special Resolution, if passed, will be effective from the date the certificate of change of name is issued by the Companies Commission of Malaysia.

statement accompanying notice of annual general meeting

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of the Malaysia Securities Exchange Berhad

Number, Day, Date, Time and Place of General Meetings

| No. | Day/Date | Time | Venue |
|-----|---|----------|--|
| 1. | Friday, 4 April 2003 (Extraordinary General Meeting) | 10.00 am | Banquet Hall, Kuala Lumpur Golf and Country Club No.10, Jalan 1/70D, Off Jalan Bukit Kiara 60000 Kuala Lumpur |
| 2. | Friday, 18 July 2003 (Annual General Meeting) | 10.00 am | Banquet Hall, Kuala Lumpur Golf and Country Club No.10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur |

1. Directors seeking re-election pursuant to Article 77 of the Articles of Association (retirement by rotation)

- Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob
- Dato' Hilmi bin Mohd. Noor
- Dato' Abdullah bin Mohd. Yusof

Director seeking re-election pursuant to Article 84 of the Articles of Association

(appointed since the date of the last Annual General Meeting)

- Encik Feizal Ali

Director seeking re-appointment pursuant to Section 129 (6) of the Companies Act, 1965

- Tan Sri Dato' Thong Yaw Hong

Details of Director standing for re-election at the Annual General Meeting

| | |
|---|--|
| Name | Feizal Ali |
| Age | 43 |
| Nationality | Indian (permanent resident of Malaysia) |
| Qualification | <ul style="list-style-type: none"> • Masters in Business Administration (Finance), University of Santa Clara, California • Bachelor's Degree in Accounting, Menlo College, California • Bachelor's Degree in Commerce, University of Kerala |
| Position on the Board | Executive Director |
| Date first appointed to the Board | 24 March 2004 |
| Membership of Board Committee | Nil |
| Working experience | <ul style="list-style-type: none"> • Finance Vice President, Commerce Dot Com Sdn Bhd (1999-2001) • Chief Financial Officer, Pelabuhan Tanjung Pelepas Sdn Bhd (1996-1999) • Finance General Manager, Prolink Development Sdn Bhd (1994-1996) |
| Occupation | Group Chief Operating Officer, Malaysia Mining Corporation Berhad |
| Any other directorship in public companies | Nil |
| Securities holdings in the company and its subsidiaries | Nil |
| Any family relationship with director and/or major shareholder of the company | Nil |
| List of convictions for offences within the past 10 years other than traffic offences, if any | Nil |
| Number of Board meetings attended in the financial year | N/A (Appointed after the financial year ended 31 January 2004) |

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proxy form

Malaysia Mining Corporation Berhad 30245-H

Numbers of shares held

I/We, _____ (block letters)
of _____
being a member/members of MALAYSIA MINING CORPORATION BERHAD hereby appoint _____
of _____

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 28 May 2004 and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting.

| RESOLUTION | FOR | AGAINST |
|--|-----|---------|
| ORDINARY BUSINESS | | |
| No. 1 Adoption of Report and Financial Statements | | |
| No. 2 Declaration of Dividend | | |
| No. 3 Re-election of Directors (a) Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob (b) Dato' Hilmi bin Mohd. Noor (c) Dato' Abdullah bin Mohd. Yusof (d) Encik Feizal Ali | | |
| No. 4 Re-appointment of Tan Sri Dato' Thong Yaw Hong | | |
| No. 5 Directors' fees | | |
| No. 6 Appointment of Auditors | | |
| SPECIAL BUSINESS | | |
| No. 7 Authority to Allot Shares | | |
| No. 8 Amendment to Articles of Association | | |
| No. 9 Change of Name | | |

Date

Signature

NOTES

- 1 This proxy form must be deposited at the Registrar, Signet Share Registration Services Sdn Bhd at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the meeting.
- 2 In the case of a corporation, this proxy form should be under its common seal or under the hand of an officer or attorney duly authorized on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. This instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- 3 A corporation may by resolution of its Directors or the governing body, if it is a member of the Company, authorise such person as it thinks fit to act as its representative and a person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the Company.
- 4 In the case of joint holders, the signature of any of them will suffice.
- 5 Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he/she thinks fit.

fold here

affix stamp

To: The Registrar

Signet Share Registration Services Sdn Bhd
Level 26, Menara Multi Purpose,
Capital Square, No. 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur, Malaysia

fold here

The Company's website at www.mmc.com.my offers useful information that interested persons, investors and analysts would like to know about the Company's business, management and share information. This website also offers an Email Alert service that will notify subscribers of any press releases, MSEB announcements and notifications of updates to the MMC website. There is also an FAQ section that deals with frequently asked questions on business, investment and media-related matters.

Downloadable versions of this annual report, previous annual reports and quarterly reports are available at MMC's website. PDF versions require Adobe®'s PDF reader, which is probably already on your computer or otherwise downloadable from the Internet. Excel versions require Microsoft Excel, part of the Microsoft Office suite of applications.

MMC
on the internet

www.mmc.com.my