MMC CORPORATION BERHAD 30245-H
10th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur, Malaysia

www.mmc.com.my

MMC CORPORATION BERHAD 30245-H

2005 ANNUAL REPORT

MMC

creating value

MMC 2005 ANNUAL REPORT

creating value

Our mission is to continue to nurture a steady growth of businesses, through strategic acquisitions and organic growth to develop a strong portfolio of assets and leading market positions.

transport & logistics
ENERGY & UTILITIES
engineering & construction

CONTENTS

vision

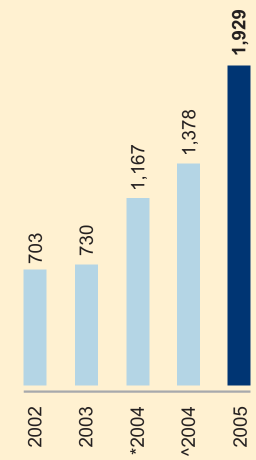
To be a premier Utilities & Infrastructure Group

FIVE-YEAR FINANCIAL HIGHLIGHTS

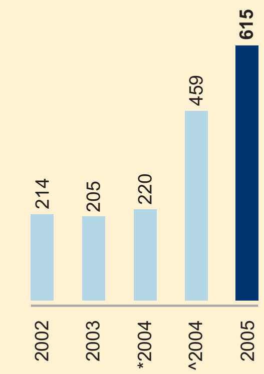
	2005	2004^	2004*	2003	2002
Profit before tax	**615**	459	220	205	214
Profit after tax and minority interests	**481**	291	116	110	165
Gross assets	**7,908**	7,485	7,294	7,018	2,978
Shareholders' funds	**3,752**	3,336	3,097	3,009	2,044
Market value of quoted investments	**2,408**	2,499	2,240	1,761	1,671
Pre-tax return on shareholders' funds (%)	**16.4**	13.8	7.1	6.8	10.5
Earnings per share (sen)	**31.1**	25.8	10.3	12.9	19.8
Dividend per share (sen)	**6**	6	5	5	5
Net asset per share (sen)	**265**	311	284	282	282

RM Million unless otherwise stated   * Financial year ended 31 January 2004   ^ Financial period ended 31 December 2004

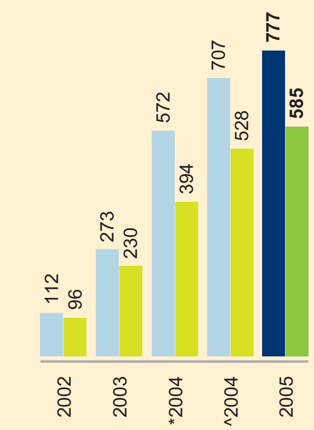
REVENUE
RM Million



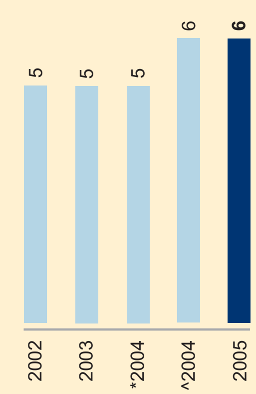
PROFIT BEFORE TAX
RM Million



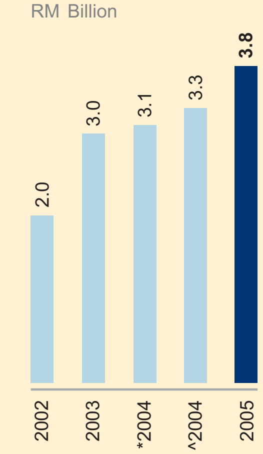
EBITDA / EBIT
RM Million



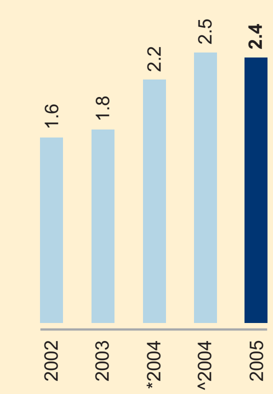
DIVIDEND PER SHARE
Sen



SHAREHOLDERS' FUNDS
RM Billion



MARKET VALUE OF QUOTED INVESTMENTS
RM Billion



CHAIRMAN'S LETTER TO SHAREHOLDERS

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Dear Shareholder,

During the course of 2005 we continued to focus our efforts on growing our business portfolio and building a company that would enhance value for our shareholders. We have done this by making strategic acquisitions and realising organic growth from our existing businesses.

Growing our Business Portfolio

We are accelerating our growth in the Transport & Logistics division through two strategic acquisitions. Firstly, we increased our stake in Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) from 50.1% to 70%. This deal has strengthened our hold in this world class port, which has shown tremendous growth since commencing operations. Secondly, we acquired a 51.74% equity interest in Johor Port Berhad (Johor Port). These acquisitions will consolidate the port business in the southern region of Johor and increase the contribution of the Transport & Logistics division to the Group. Both ports will benefit from operating within the same Group, and enjoy greater co-operation and synergies. These acquisitions will also have a positive impact on our future earnings.

The Energy & Utilities division continued to record a commendable performance, with earnings growth of 31% from the previous year. Malakoff Berhad (Malakoff) recorded better results than the previous year, and we continue to draw tremendous value from this investment. Malakoff's 2,100 MW Tanjung Bin power plant will become fully operational next year, by which time its effective generation capacity will have increased from 3,130 MW currently to over 5,000 MW, representing a 24% market share of the installed capacity in Peninsular Malaysia. Malakoff has started to expand overseas and has recently secured equity interest in the RM9 billion Shoaiba independent water and power project in Saudi Arabia, together with other consortium members.

Gas Malaysia Sdn Bhd (Gas Malaysia) registered a record number of new industrial customers last year, as a result of strong demand due to continuing high oil prices and its own aggressive supply driven approach. The company continues to leverage on the competitive price of natural gas by aggressively expanding its pipeline network to reach new customers nationwide. Gas Malaysia still operates under the Energy Commission's tariff, which positions natural gas as the most competitively priced fuel, compared to alternative fuels.

The Engineering & Construction division continues to pursue opportunities locally and abroad. In Sudan, the MMC-led consortium completed the export pipeline contract for the Melut Basin Development project on time and within the approved cost, in very tough working conditions. Work on the Stormwater Management & Road Tunnel (SMART) project is now 74% completed and tunnelling works at the north drive is back on track.

Tronoh Consolidated Malaysia Berhad (Tronoh), our associate, is performing well in the construction sector. Zelan Holdings (M) Sdn Bhd, Tronoh's wholly-owned subsidiary, is currently undertaking the engineering, procurement and construction contract for the 2,100 MW Tanjung Bin power plant together with Sumitomo Corporation and has also successfully secured projects overseas. IJM Corporation Berhad, Tronoh's associate, continues to reinforce its position as a leading construction company with a strong order book, contributed by successes locally and abroad.

Strong Financial Results

The Group's revenue for the last financial year increased by 40% to a record RM1.9 billion from RM1.3 billion for the previous 11-month financial period. Profit before tax grew by 34% to RM615 million. Excluding exceptional items of RM195 million, our profit before tax grew by almost 20% to RM419 million, attributed by improved contributions from all three divisions. Profit after tax and minority interests grew by 31% to RM380 million.

The Board has recommended a final dividend of 5 sen per share and a special dividend of 1 sen per share less tax, on par with last year's distribution. This marks the seventh consecutive fiscal year of consistent dividend payments. You will find further discussion on our results and other important aspects of our business in the financial statements and the Management's Discussion & Analysis further along in this annual report.

Corporate Governance

We have long recognised the importance of good governance. In 2002, we formally adopted the six principal responsibilities of the Board, as prescribed by the Code on Corporate Governance. Last year, we implemented a Corporate Disclosure Policy, as recommended by the Best Practices in Corporate Disclosure launched by Bursa Malaysia, to ensure that we deliver to the market information that is accurate, timely and consistent. We will continue to give this increasingly important area our utmost attention to ensure not only regulatory compliance but also that the interests of our shareholders are upheld at all times. Our corporate governance report appears on pages 36 to 48 of this annual report.

Corporate Social Responsibility

We believe in contributing towards the well being of society at large. In response to the worst earthquake in Pakistan's history last October, we supported international relief efforts in aid of the earthquake victims. In support of efforts towards peace, we participated as a major sponsor of the Perdana Global Peace Forum 2005, which provided a platform for the discussion of current world problems and promote discussions towards finding viable solutions to volatile international issues. Our corporate social responsibility report appears on pages 54 to 55 of this annual report.

The Future

The outlook for the Group appears promising given the favourable forecasts for the Malaysian economy and expectations of gross domestic product growing at 6% this year. Growing our business remains our priority and we will continue to draw value from our businesses and review our investment portfolio in our effort to build shareholder value.

We expect rapid growth in our Transport & Logistics division given the strategic acquisitions we have undertaken. Both PTP and Johor Port will benefit from operating within the same Group, and enjoy greater co-operation and synergies. Our Engineering & Construction division will continue to offer engineering, procurement, commissioning and construction services in the power plant, major infrastructure and civil work sectors, both locally and abroad. Our Energy & Utilities division is expected to grow significantly and provide us with a steady income stream to balance our longer term investments. Given our diversified portfolio and leadership position, we are reasonably optimistic about the future.

Board Changes and Appreciation

Dato' Ismail Shahudin is stepping down as Group Chief Executive and a member of the board with effect from 31 March 2006. On behalf of the board, I would like to record our deepest gratitude to Dato' Ismail for his contribution and leadership during his tenure here. Dato' Ismail has played an instrumental role in the evolution of the company and he is leaving us a financially stronger MMC.

I would like to thank our shareholders, business associates, financiers and clients, for their continuing confidence and support in the Group. I would also like to express my sincere thanks to my fellow directors for their guidance and counsel. Our achievements would not have been possible without the hard work of our employees to whom we are most grateful. With everyone's support and commitment, we are confident that the Group will rise to the challenges in the coming years and achieve its vision to become a premier Utilities & Infrastructure Group.

Sincerely,

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

March 2006

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

OVERVIEW

We continued to grow our businesses in 2005 and the Group performed better than the previous year, with record revenue and higher profits driven by better performance from all three divisions. We are accelerating forward towards our vision by making strategic acquisitions that add leading businesses to our portfolio of investments and enhance shareholder value.

Dato' Ismail Shahudin
Group Chief Executive

MMC

TRANSPORT & LOGISTICS

70% Pelabuhan Tanjung Pelepas
[container port and logistics hub]

51.7% Johor Port
[multi-purpose port and logistics operations]

100% Konsortium Lebuh Raya Butterworth-Kulim
[toll road operations]

ENERGY & UTILITIES

22.1% Malakoff
[power generation]

41.8% Gas Malaysia
[natural gas distribution]

51% Recycle Energy
[waste management & recycling and renewable energy]

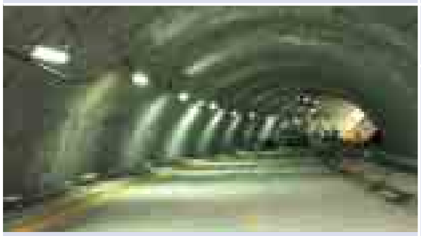
OIL & GAS

99.9% MMC Oil & Gas
[design engineering services]

69.9% Tepat Teknik
[steel fabrication works]

51% MMC-Transfield Services
[asset management and maintenance services]

51% MMC-VME
[natural gas separation works]



ENGINEERING & CONSTRUCTION

39.2% Tronoh
[investment holding]

- 100% Zelan
  [power plant construction]
- 20% IJM
  [major infrastructure works]

99.9% MMC Engineering & Construction
[engineering services]

OTHERS

30% Malaysia Smelting Corporation
[tin mining & smelting]

20.1% Integrated Rubber Corporation
[manufacturing and trading of rubber gloves]

52.9% Kramat Tin Dredging
[refocusing business]

75.6% Seginiaga Rubber Industries
[weather strip manufacturing]

75.7% MMC Metal Industries
[foundry operations and precision engineering]

■ Listed Company

■ Non-Listed Company

% Percentage figure denotes Group's interest, except in the case of Zelan and IJM

CONSOLIDATED OPERATIONS

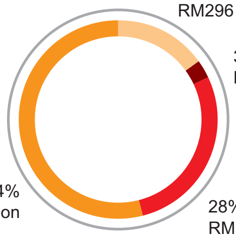
The Group recorded a profit before tax of RM615 million for 2005, an increase of 34% over the previous 11-month financial period. Excluding the gain of RM195 million from the sale of our shares in Sime Darby Berhad (Sime Darby) and Malaysia Smelting Corporation Berhad (MSC), our profit before tax grew by almost 20% to RM420 million and net profit after tax and minority interests increased by 31% to RM381 million.

Our revenue grew to a record RM1.9 billion, up 40% from the previous financial period, driven by a 58% growth in the Energy & Utilities division, an 11% growth in the Transport & Logistics division and a 68% growth in the Engineering & Construction division.

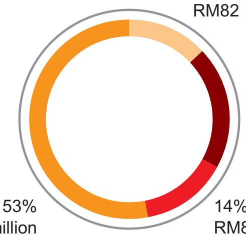
Liquidity

The Group ended the year with RM448 million in cash and deposits, an increase of 23% over the previous financial period. We have sufficient cash flow to adequately service our debt service requirements and undertake projects in hand. Individual companies within the Group have sufficient internally-generated cash to sustain their operations and develop future businesses, without having to seek significant financial assistance from the holding company.

Revenue by Division
RM1,929 million



PBT by Division
RM615 million



- Transport & Logistics
- Energy & Utilities
- Engineering & Construction
- Others

Borrowings

With the sale of 50 million Sime Darby shares and 6.1 million MSC shares, the Company's borrowings at the end of the last financial year have been reduced to RM611 million and the Group's borrowings reduced to approximately RM3 billion. Subsequent to the financial year end, we have taken on an additional debt of RM388 million for the acquisition of 51.74% of Johor Port Berhad (Johor Port) which has increased the Company's borrowings to RM1 billion and the Group's borrowings to RM3.4 billion. If our acquisition of the entire equity interest in Johor Port is successful, the Company's borrowings will be further increased to RM1.3 billion and the Group's borrowings will be increased to RM3.8 billion, which is equivalent to the Group's shareholders' funds. Our gearing will be reduced with the sale of our remaining 41 million Sime Darby shares.

Out of the Group's total debt of RM3 billion as at the end of the last financial year, RM1.9 billion is Pelabuhan Tanjung Pelepas Sdn Bhd's (PTP) debt which is project financing in nature, RM292 million was taken by Gas Malaysia Sdn Bhd (Gas Malaysia) to fund its pipeline expansion programme through a bond issue, RM247 million nominal value Islamic debt securities was issued by Konsortium Lebuhraya Butterworth-Kulim [KLBK] Sdn Bhd (KLBK) and RM40.8 million was taken by Recycle Energy Sdn Bhd (Recycle Energy) to finance its plant construction. Other than the debt taken by Recycle Energy, all other debt taken by individual companies are non-recourse to the holding company.

Prospects

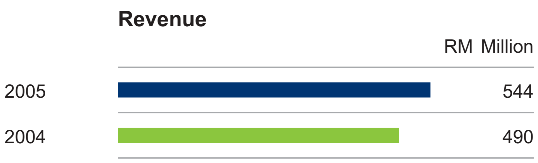
The Group's strong performance further strengthens our confidence in our outlook for continuing growth this year. We now control both ports in southern Johor, which makes us a strong player in the Transport & Logistics sector in that high growth area. PTP will continue to experience strong growth, driven by the current upturn in the world economy and the increase in world containerisation and trade. The Energy & Utilities division will continue to contribute strong cash flows and earnings, with Malakoff Berhad (Malakoff) continuing to be the major earnings contributor in the immediate future, while Gas Malaysia is expected to deliver sustained progress arising from additional new customers. Our Engineering & Construction division will focus on securing projects based on their engineering, procurement, commissioning and construction (EPCC) capabilities with a focus on power plants, major infrastructure and civil works, both locally and abroad.

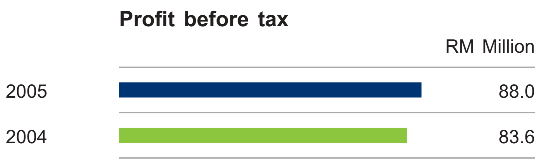
Our strength lies in our portfolio of leading businesses that we focus on. Our reach across related businesses creates synergy among our companies and, perhaps more importantly, allows the Group to offer a complete range of services across the entire value chain. In the power plant business, for example, we offer turnkey 'design & build' civil construction services, which is provided by the Zelan Group (including steel fabrication services, provided by Tepat Teknik Sdn Bhd), to engineering & construction services, provided by our MMC Engineering & Construction unit, to equity ownership and operation & maintenance, which is provided by Malakoff. Our diversified base of earnings also enables us to prosper under varying market conditions. Given these strengths, and our leadership position, we are reasonably optimistic about the future.

SEGMENT OPERATIONS

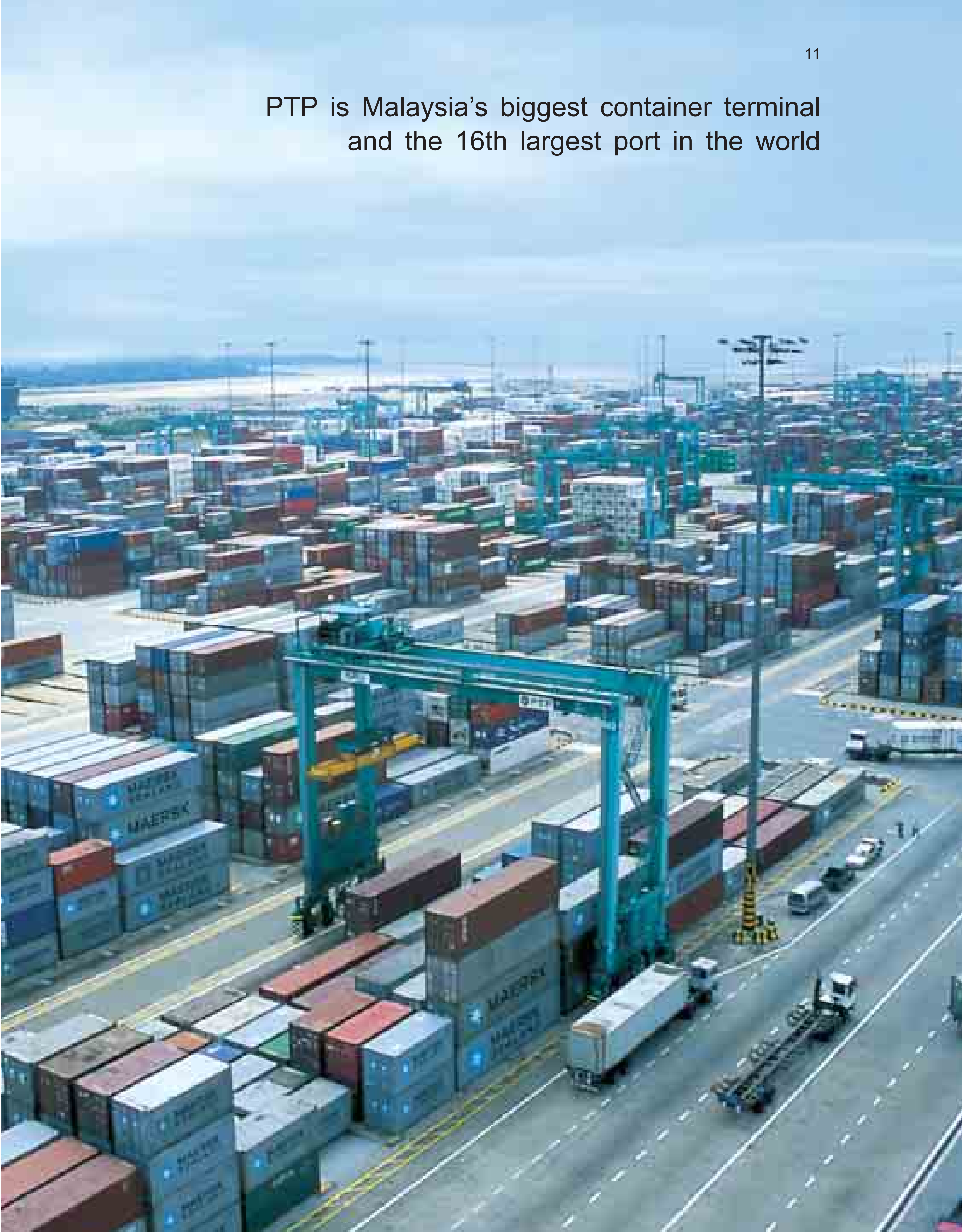
TRANSPORT & LOGISTICS

We are accelerating our growth in this division by increasing our stake in PTP from 50.1% to 70% and acquiring a 51.74% equity interest in Johor Port. These acquisitions will consolidate the port business in the southern region of Johor and increase the contribution of the Transport & Logistics division to the Group in the coming years. Both PTP and Johor Port will benefit from operating within the same Group, and enjoy greater co-operation and synergies. These acquisitions will also have a positive impact on our future earnings.





PTP is Malaysia's biggest container terminal and the 16th largest port in the world



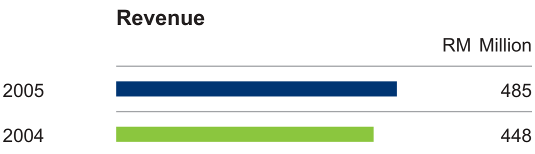
Port Operations

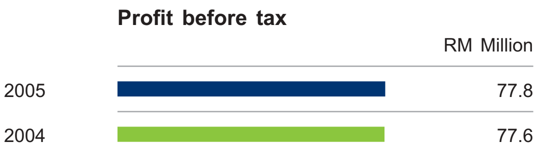
PTP recorded a revenue growth of 8% to RM485 million, principally attributed by an increase in throughput from 4 million TEUs to 4.2 million TEUs. Profit before tax increased from RM77.6 million to RM77.8 million.

Last year was the consolidation phase for PTP, and the port focused its efforts to further improve productivity, enhance turnaround time and increase value-added services to its customers. The port is expected to go through a step-up phase this year and is expanding its capacity to cater for the potential demand. PTP increased its capacity to over 6 million TEUs with the recent completion of berths 7 & 8 and is further expanding its capacity to almost 8 million TEUs with the completion of berths 9 & 10 next year. The larger vessels coming into service over the next few years and market consolidation will mean greater opportunities for newly-designed ports such as PTP which are able to provide main liners with access to capacity and a fast turnaround time. PTP is also growing the terminal business further with new product offerings and leveraging on the development of the Free Zone.

With the increase in world containerisation and trade, we expect the port to extend its leadership position and drive the Group's long-term earnings growth.

PTP





Toll Road Operations

KLBK's revenue grew from RM22.2 million to RM34.8 million and profit before tax increased from RM6 million to RM10.8 million mainly due to the recognition of toll compensation of RM10.7 million for the non-revision of toll rates for 2004.

Last year, the Government restructured the toll rates under the Concession Agreement by reducing the frequency of rate increases, lowering the toll rates and gazetting new toll rates for the remaining concession period. Toll rates on the highway were increased in accordance with the new toll rate structure on 1 June 2005.

Despite higher toll rates, traffic volume remained stable and the highway recorded a slightly higher average daily traffic of 52,168 vehicles per day in 2005, compared to 51,814 vehicles per day in 2004. Traffic volume on the highway has registered a compounded average growth rate of 6.6% per annum between 1997 and 2004 and we expect KLBK to continue to show reasonable growth and be self-sustaining in the coming years.

KLBK

Revenue

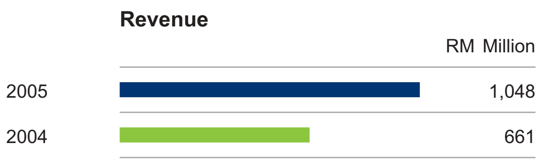
	RM Million
2005	34.8
2004	22.2

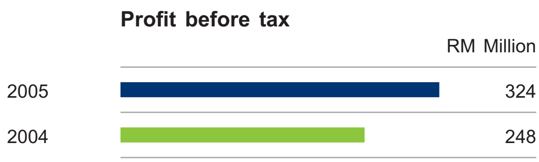
Profit before tax

	RM Million
2005	10.8
2004	6

ENERGY & UTILITIES

The Energy & Utilities division contributed slightly more than RM1 billion to Group revenue, a 58% increase over the previous financial period, driven by a sharp increase in the sale of natural gas by Gas Malaysia arising from a record number of new customers. The division's profit before tax increased by 31% to RM324 million. We expect this division to continue contributing strong cash flows and earnings to the Group.





With the completion of the Tanjung Bin power plant in 2007, Malakoff will supply 24% of West Malaysia's generation capacity

Power Generation

Malakoff continued to be our key earnings driver, accounting for over 41% of the Group's profit before tax (excluding the gain from the sale of our Sime Darby and MSC shares). The company's profit before tax grew by 18% to RM876 million. With its strong performance, Malakoff declared a full-year dividend of 30 sen per share less tax, its highest payout to-date.

Malakoff's 2,100 MW Tanjung Bin power plant will become fully operational next year, which will increase the company's effective generation capacity from 3,130 MW currently to over 5,000 MW, equivalent to a 24% market share of Peninsular Malaysia's installed capacity. Malakoff has also expanded overseas and has recently secured equity interest in the RM9 billion Shoaiba independent water and power project in Saudi Arabia, together with other consortium members. When completed, the USD2.5 billion plant will supply 900 MW of power and 880,000 m^3/day of desalinated water to cities in the western province on the Red Sea coast.

Malakoff not only generates a stable income for MMC but also has the potential for a quantum leap once the expanded capacity is operational. With increasing demand for electricity, Malakoff should continue to experience sustainable growth, and provide us with a steady income stream in the coming years.

Malakoff

Revenue

	RM Million
31 Aug 05	2,122
31 Aug 04	2,059

Profit before tax

	RM Million
31 Aug 05	876
31 Aug 04	742

Natural Gas Distribution

Gas Malaysia's revenue grew by 58% to RM949 million, driven by a 55% increase in sales volume, attributed by a record 38% increase in new industrial customers during the last financial year. Profit before tax more than doubled to RM173.2 million.

The company continued its aggressive pipeline expansion plan and added 159 km of new pipelines to its network last year, and now operates 1,258 km of pipelines. The company is investing RM130 million annually as part of this expansion plan. High oil prices and this supply-driven approach – proactively building pipelines into areas where there is anticipated demand – have resulted in 144 new industrial customers last year. These new customers contributed 53% to the company's sales volume for the last financial year.

With natural gas positioned as a more affordable energy solution compared to competing fuels, Gas Malaysia will continue to implement its aggressive expansion plan, and is expected to experience continuing growth in the coming years.

Gas Malaysia

Revenue

	RM Million
2005	948.9
2004	602.4

Profit before tax

	RM Million
2005	173.2
2004	82.2

Design Engineering in Oil & Gas

MMC Oil & Gas Engineering Sdn Bhd recorded a 57% increase in revenue to RM62 million, principally attributed by revenue from overseas contracts, like the Melut Basin development project in Sudan, Resalat Offshore Complex Reconstruction in Iran, Topside Upgrade for Qatar Petroleum and the Ruby-A Gaslift project in Vietnam. Profit before tax increased by 73% to RM3.3 million.

The company's continued expansion into new global markets has led to a growing emphasis on smart partnerships. Last year, the company teamed up with Sinopec Corporation and completed the construction of a 480-km export pipeline for the Melut Basin development project – its first foray into Sudan – on time and within the approved cost. The company continues to leverage on successes such as these to expand its engineering design capability both locally and overseas.

Steel Fabrication

Tepat Teknik Sdn Bhd (Tepat Teknik) posted a revenue of RM59 million, a 70% increase over the previous financial period. The company, however, recorded a loss before tax of RM3 million due to the impact of narrowing margins as a result of escalating raw material prices.

Tepat Teknik competes in the fabrication industry for the power generation and the oil & gas sectors and is leveraging on its high quality standards to secure more repeat orders from existing international clients and establish new clients. The company is also looking at forming strategic business alliances with foreign technology-based partners to develop new businesses.

Waste Management & Recycling and Renewable Energy

We acquired a 51% stake in Recycle Energy, a company that was set up to commercialise a new technology to convert municipal solid waste (“MSW”) into energy. This private sector initiative utilises home-grown technology developed in collaboration with the Malaysian Institute for Nuclear Technology Research and Universiti Putra Malaysia.

Recycle Energy has secured a concession for processing MSW for the Kajang Municipal Council, and is building a recycling centre and a Refuse Derived Fuel waste-to-energy plant that will be able to process 700 tons of MSW per day. The plant will have the capacity to produce 5 MW of electricity that will be supplied to the national grid, once completed next year. This investment marks the start of a new venture in the larger waste management business.

ENGINEERING & CONSTRUCTION

The Engineering & Construction division recorded a 68% increase in revenue to RM296 million. Profit before tax grew by 37% to RM82 million arising from profits from the Stormwater Management & Road Tunnel (SMART) project. Zelan will continue to focus on power plant construction and other related activities and IJM will undertake major infrastructure works and property development. Our MMC Engineering & Construction unit will continue to provide turnkey 'design & build' and EPCC solutions in all major engineering disciplines.

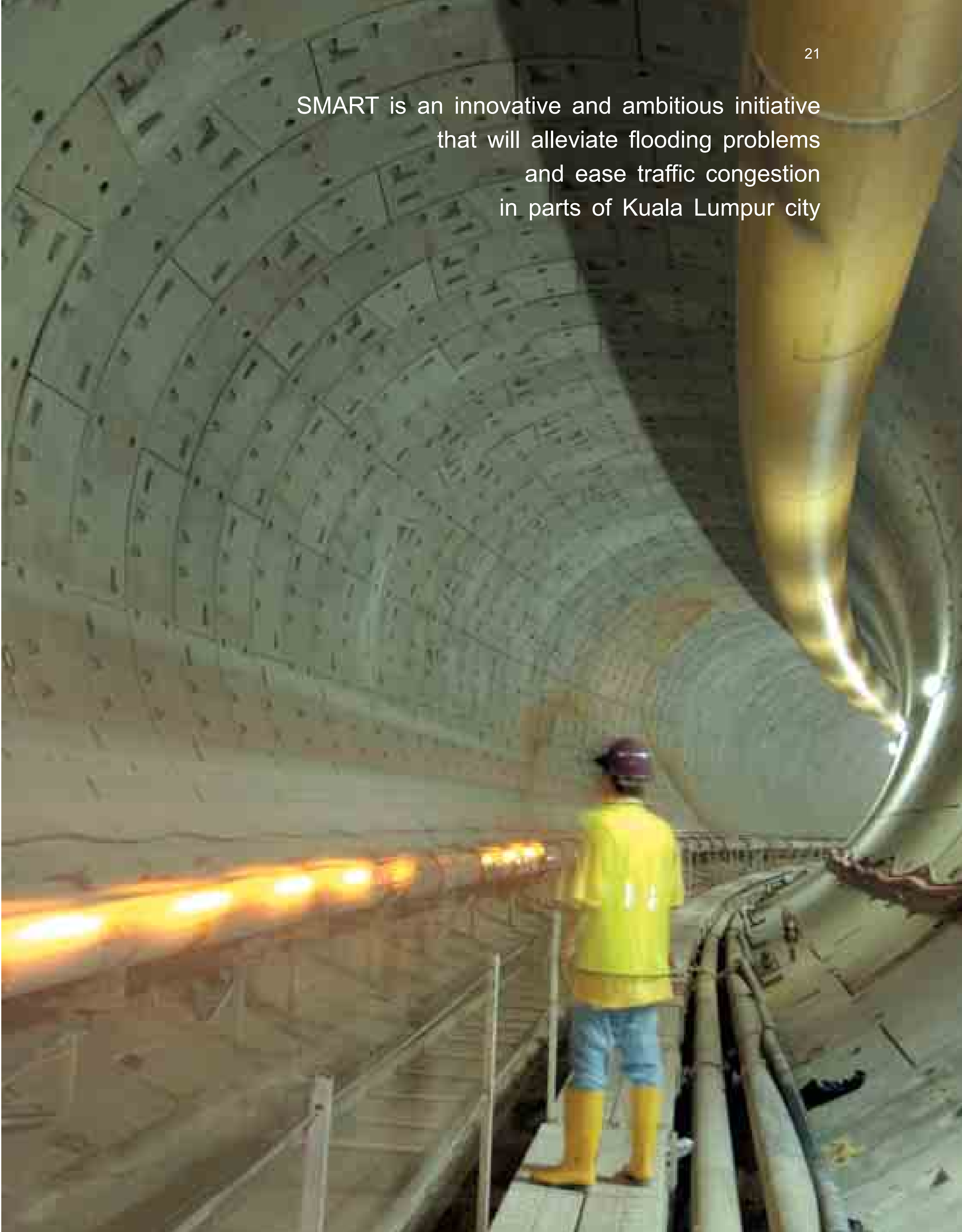
Revenue

	RM Million
2005	296
2004	176

Profit before tax

	RM Million
2005	82
2004	60

SMART is an innovative and ambitious initiative
that will alleviate flooding problems
and ease traffic congestion
in parts of Kuala Lumpur city



Power Plant and Infrastructure

Tronoh Consolidated Malaysia Berhad (Tronoh) recorded a profit before tax of RM115.9 million for the last financial year compared to RM131.3 for the preceding financial year, which was inclusive of gains on disposal of investments of RM28.5 million. Excluding these gains, Tronoh's profit before tax grew by 12.7%.

Zelan, Tronoh's wholly-owned subsidiary, is a turnkey 'design & build' civil contractor for power plants and is currently undertaking the engineering, procurement and construction ("EPC") contract for the 2,100 MW Tanjung Bin power plant together with Sumitomo Corporation. Zelan has participated in the construction of 14 power plants in Malaysia and Singapore and recorded its first success in India by securing an EPC contract worth RM760 million for the construction of Unit 1 (300 MW) of a coal-fired thermal power plant in the State of Chhattisgarh, India. The company has also secured a contract worth RM780 million for the construction of Unit 2 (300 MW) for the same power plant project.

For the three-quarter period up to 31 December 2005, IJM's revenue increased by 17.3% to RM1.1 billion compared to the corresponding period for the preceding year, mainly attributable to higher revenues from the properties, industries and infrastructure divisions. Profit before tax grew by 8% to RM194 million. With its strong order book and impressive track record, IJM is expected to continue to perform well and contribute positively to the Group via Tronoh.

Given its strong order book and expansion overseas, we expect Tronoh to maintain its performance for the current financial year, barring unforeseen circumstances.

Tronoh

Revenue

	RM Million
31 Jan 06	554
31 Jan 05	603.2

Profit before tax

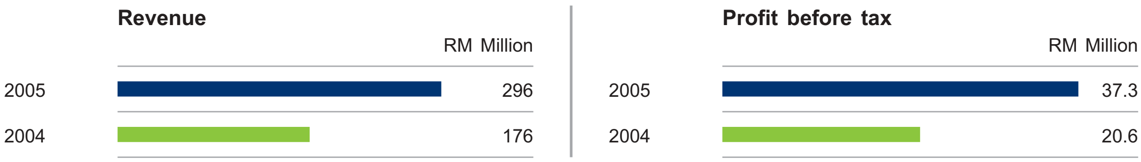
	RM Million
31 Jan 06	115.9
31 Jan 05	131.3

Engineering Services & Construction

Within MMC, our Engineering & Construction unit's revenue grew by 68% to RM296 million. The unit registered a profit before tax of RM37.3 million, principally attributed by profits from the SMART project. The project is currently 74% complete and is expected to be completed by June next year. The first of its kind in the world, this innovative and ambitious initiative will alleviate the flooding problems and ease congestion in parts of the city by the use of a stormwater channel and a tolled highway in a single tunnel.

This unit has also played a crucial supporting role in building the infrastructure required for other divisions. The unit was involved in the construction of PTP's two new berths and the EPCC of the natural gas distribution system contract for Gas Malaysia. This division will leverage on its track record to secure more projects, both locally and abroad.

MMC Engineering & Construction



OTHER BUSINESSES

The main contribution came from MSC, which recorded a profit before tax of RM87.5 million, which is 31% lower than the previous year, as a result of lower contributions from its Indonesian operations. Due to high fuel costs, it may be difficult for the company to maintain its current level of earnings unless tin prices strengthen.

Seginiaga Rubber Industries Sdn Bhd posted a revenue of RM27 million, a 9% increase over the previous year. The company is diversifying into other related areas to minimise its dependence on the automotive market, which has become increasingly competitive with the increasingly liberalised environment.

Integrated Rubber Corporation Berhad recorded a lower profit before tax of RM277,000 for the last financial year due to higher latex and crude oil prices. The company expects to perform better this year due to greater economies of scale arising from an expanded production capacity and better margins due to improvements in operational efficiencies.

Our other listed company, Kramat Tin Dredging Berhad, is undertaking a restructuring arrangement to regularise its position under PN10 of the listing requirements and transform the company into a property development company. Kramat is presently working with its advisors to secure the necessary regulatory approvals to implement this scheme.

The Way Forward

After more than three years with the Group, I am stepping down as Group Chief Executive and a member of the board with effect from 31 March 2006. I am proud to have been at the helm of MMC during its transformational stage. I am excited about the future prospects of MMC as I believe that the various initiatives carried out have contributed tremendously to the current performance of MMC. I am optimistic about MMC's future and remain confident that we will continue to extend our leadership position in our three core businesses and build businesses that will create sustainable growth to create more value for our shareholders.

Dato' Ismail Shahudin
Group Chief Executive

March 2006

PROFILE OF DIRECTORS

DATO' WIRA SYED ABDUL JABBAR
BIN SYED HASSAN
Chairman

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, 67, was appointed non-independent 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 Integrated Rubber Corporation Berhad and MARDEC Berhad and a Board member of Star Publications (Malaysia) Berhad, Malaysia Smelting Corporation Berhad and KAF Discounts Berhad.

DATO' ISMAIL SHAHUDIN
Group Chief Executive

Dato' Ismail Shahudin, 55, was appointed Group Chief Executive and Executive Director of the Company on 1 August 2002. Dato' Ismail stepped down from these positions on 31 March 2006.

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 the 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 the position of Group Chief Executive of MMC.

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

TAN SRI DATO' THONG YAW HONG

Tan Sri Dato' Thong Yaw Hong, 75, 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 is 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 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).

Tan Sri Dato' Thong Yaw Hong is the Co-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 Merchant Bank Berhad, HHB Holdings Berhad and Berjaya Sports Toto Berhad.

DATUK IR. (DR.) HAJI AHMAD ZAIDEE BIN LAIDIN

Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin, 63, was appointed a Board member on 1 August 2002 and is an independent Director. He is also a member of the Audit Committee of the Board.

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 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 Institute of Engineers, Malaysia and the Academy of Sciences, Malaysia.

TAN SRI DATO' IR. (DR.) WAN ABDUL RAHMAN BIN HAJI WAN YAACOB

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob, 65, joined the Board on 26 August 1999 as a non-independent 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 a Malaysian citizen and holds a Diploma in Civil & Structural Engineering from the Brighton College of Technology, United Kingdom. He is also a Fellow of the Chartered Institute of Buildings (U.K.), Institute of Highways & Transportation (U.K.), Institute of Civil Engineers (UK), Institute of Engineers Malaysia and Academy of Sciences, Malaysia.

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

DATO' ABDULLAH BIN MOHD. YUSOF

Dato' Abdullah bin Mohd. Yusof, 67, joined the Board on 31 October 2001 as an independent Director. 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 Aeon Co. (M) Berhad and a Board member of Tradewinds Corporation Berhad and Tronoh Consolidated Malaysia Berhad.

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

DATO' HILMI BIN MOHD. NOOR

Dato' Hilmi bin Mohd. Noor, 64, joined the Board on 10 October 2000 as a non-independent 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 Corporation 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, United Kingdom.

ENCIK HALIM BIN HAJI DIN

Encik Halim bin Haji Din, 59, 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 is a Chartered Accountant who spent more than 30 years working for multinational corporations and international consulting firms. He accumulated 18 years of experience working in the oil and gas industry (Caltex) before engaging in the consulting business. He was the Managing Partner of the Consulting Division of Ernst & Young Malaysia. He later became the Vice President of Cap Gemini Ernst & Young Consulting when Cap Gemini of France merged with Ernst & Young Consulting. In 2003, Encik Halim, with two partners, took over the consulting business of Cap Gemini Ernst & Young Malaysia and rebranded it as Innovation Associates where he is currently the Managing Director. He also sits on the Boards of Wah Seong Corporation Berhad, Boustead Properties Berhad, KrisAssets Holdings Berhad and Takaful Ikhlas Sdn Bhd.

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

DATUK MOHD SIDIK SHAIK OSMAN

Datuk Mohd Sidik Shaik Osman, 57, was appointed to the Board as a non-independent Director on 23 January 2003.

Upon graduation, Datuk Mohd Sidik served as Assistant Secretary, Minister of Trade & Industry from 1974 until 1979 and was subsequently appointed Principal Assistant Secretary, Ministry of Transport (Port Division) in 1979, a position he served until 1987.

Whilst serving the Ministry of Transport, he took study leave and obtained a Masters of Science (Maritime) degree from the World Maritime University, Sweden.

Upon obtaining his Masters Degree in 1988, he served as Secretary to the National Maritime Council, National Security Council and the Prime Minister's Department. Between 1992 and 1996, he was appointed as the Team Leader, Straits of Malacca Radar Project in the same department and later became Deputy Director General of the National Security Division, Prime Minister's Department.

Datuk Mohd Sidik left Government service to join Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) in 1997 as its Chief Operating Officer. In 1998, he was appointed a Director of PTP and promoted to Executive Director the following year. He was appointed as the Chief Executive Officer of PTP in January 2000 and assumed the post of Chairman in October 2005. He is also the Chief Executive Officer of Senai Airport Terminal Services Sdn Bhd.

Datuk Mohd Sidik is a Malaysian citizen and also holds a Bachelor of Social Science (Honours) (Economics) degree from Universiti Sains Malaysia.

ENCIK FEIZAL ALI
Group Chief Operating Officer

Encik Feizal Ali, 44, was appointed to the Board on 24 March 2004. Encik Feizal Ali 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 was promoted to the position of Group Chief Operating Officer before assuming the role of Acting Group Chief Executive 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 carrer 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 holds a Bachelor of Science degree in Business Administration (Accounting) from Menlo College, USA, a Bachelor of Commerce degree from the University of Kerala and a Masters degree in Business Administration (Finance) from the University of Santa Clara, California.

MANAGEMENT TEAM

1 **Dato' Ismail Shahudin**
Group Chief Executive

2 **Feizal Ali**
Group Chief Operating Officer

3 **Mabel Lee Khuan Eoi**
General Manager, Corporate Planning

4 **Mohamed Sophie Rashidi**
General Manager, Finance

5 **Azlan Shahrim**
General Manager,
Corporate Communications &
Investor Relations

6 **Ir. Wan Azman Wan Salleh**
Head, Engineering & Construction

7 **Elina Mohamed**
Group Company Secretary &
Legal Advisor

8 **Azhar Ahmad**
General Manager, Special Projects

FROM LEFT

Encik Halim bin Haji Din
Chairman

Tan Sri Dato' Thong Yaw Hong

Dato' Abdullah bin Mohd. Yusof

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

AUDIT COMMITTEE REPORT

Meetings

Meetings are scheduled at least four times a year, and will normally be attended by the Group Chief Executive, Group Chief Operating Officer, Senior Internal Auditor and upon invitation, the external auditors and internal audit consultants. Other Board members may also attend meetings upon the invitation of the Audit Committee. At least once a year, the Audit Committee shall meet 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 Company Secretary acts as secretary to the Audit Committee. Minutes of each meeting are distributed to each Board member. The Chairman of the Audit Committee reports key matters discussed at each meeting to the Board.

The Audit Committee had four meetings during the last financial year. The external auditors attended all four meetings. The internal audit consultants, Ernst & Young, tabled to the Audit Committee operational audit reports which they carried out during the year.

Authority

The Audit Committee has the following authority as empowered by the Board:

- The authority to investigate any matters within its terms of reference;
- The authority to utilise the resources which are required to perform its duties;
- Full, free and unrestricted access to any information, records, properties and personnel of any company within the Group;
- Direct communication channels with the external and internal auditors;
- The ability to obtain independent, professional or any other advice; and
- The ability to convene meetings with the external and internal auditors.

Duties and Terms of Reference

i) Consider the appointment of the external and internal auditors, the audit fees and any questions of resignation or dismissal, and inquire into staffing and competence of the external and internal auditors in performing their work.

ii) Discuss the nature and scope of the audit in general and any significant problems that may be foreseen with the external and internal 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 changes in accounting principles or standards on financial statements.

iv) Review the results of the operational audit reports and monitor the implementation of any recommendations made therein.

v) Review the quarterly results and annual financial statements before submission to the Board, focusing particularly on:
- any changes in accounting policies and practices;
- major judgemental areas;
- significant adjustments resulting from the audit;
- the going concern assumptions;
- compliance with accounting standards; and
- compliance with regulatory requirements.

vi) Discuss problems and reservations arising from the interim and final audits, and any other matters the external 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 Company, which includes reviewing the remuneration of the internal auditor.

viii) Review the internal audit programme, consider the major findings of Internal Audit investigations and management's response and ensure coordination 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) Review any related party transactions within the Group to ensure that they are carried out at arm's length.

xi) Carry out such other assignments as required by the Board.

xii) Report promptly to Bursa Malaysia on any matters reported by Bursa Malaysia to the Board of Directors which have not been satisfactorily resolved, resulting in a breach of the Listing Requirements.

xiii) Review audit reports of subsidiaries after they have been reviewed by the Audit Committee or Board of Directors of those subsidiaries.

xiv) To 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.

Internal Audit Function

The internal audit function is carried out by Ernst & Young, to whom the function has been outsourced for a three-year period ending January 2007. The Internal Audit department overlooks the overall Group internal audit function and coordinates communication between the Group and Ernst & Young, and is tasked to ensure that the consultant carries out its duties diligently in accordance with the agreed terms between the parties.

This Department also assists the Board in monitoring and managing risks and internal controls and provides independent assessment for adequate, efficient and effective internal control systems in anticipating potential risk exposures over key business processes.

The Audit Committee approves the internal audit plan submitted by Ernst & Young prior to the commencement of a new financial year. The scope of internal audit covers the audits of all business units and operations, including head office functions.

The Group practises a risk-based approach in the implementation and monitoring of controls. The monitoring process also forms the basis for continually improving the risk management culture within the Group, which assists in achieving the Group's overall goals.

Throughout the last financial year, audit assignments and follow-up reviews were carried out on units of operations and subsidiaries, 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 are taken on reported weaknesses within the required timeframe. The management is also responsible for ensuring a status report of action plans taken on audit findings is sent to the internal auditor for review and subsequent presentation to the Audit Committee.

Internal Audit Activities

A summary of the Group's internal audit function during the financial year is as follows:

- Examine the controls over all significant Group operations and systems to ascertain whether they provide reasonable assurance that the Group's objectives and goals will be met efficiently and economically;
- Prepare the annual audit plan for deliberation by the Audit Committee;
- Act on suggestions made by external auditors and/or senior management on concerns over operations or control;

- Carry out operational audits and make recommendations for improvement, where weaknesses exist; and
- Report on whether corrective actions have been taken and are achieving the desired results.

Summary of Activities

The main activities performed by the Audit Committee during the financial year ended 31 December 2005 were as follows:

- Reviewed and approved the Internal Audit Plan for the financial year ending 31 December 2006. In its review, the Audit Committee reviewed the scope and coverage of the activities of the respective business units of the Group and Ernst & Young's basis of assessment and risk rating of the proposed audit areas.
- Reviewed the minutes of Gas Malaysia Sdn Bhd's Audit Committee meetings.
- Reviewed the audit strategy and scope for statutory audits of the Group accounts with the external auditors.
- Reviewed the unaudited quarterly financial statements and the audited accounts 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 and made the appropriate recommendations.
- Reviewed and appraised the adequacy and effectiveness of management response in resolving the audit issues reported.
- Held discussions with the external auditors without the presence of the management team to ensure an adequate level of co-operation between the external auditors and management.
- Reviewed the processes and investigations undertaken by Ernst & Young and the Senior Internal Auditor, 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 audit recommendations are implemented.

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

- The Proposed Renewal of General Mandate for Recurrent Related Party Transactions ("RRPT").
- Reviewed other related party transactions to ensure that they are fair and reasonable and are not to the detriment of minority shareholders.
- The Annual Report for the period ended 31 December 2004 in respect of the following:
  - Audit Committee Report;
  - Corporate Governance Statement;
  - Statement of Internal Control; and
  - Risk Management Report
- Reviewed and recommended actions on minor internal investigations.
- Noted and deliberated on the results of the Internal Audit Practice in Malaysia Survey 2004 which was jointly conducted by Ernst & Young and The Institute of Internal Auditors Malaysia.

Employees' Share Option Scheme

There is no employee share scheme for the Audit Committee to review and verify.

STATEMENT ON CORPORATE GOVERNANCE

Our financial performance is an important measure by which we are judged, but it is not the only measure. We subscribe to practicing the highest standards of corporate governance, and we are committed to it in the long-term interest of our stakeholders.

A. DIRECTORS

Aa. 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 December 2005, a total of six Board meetings were held. All Directors attended more than half of these meetings in compliance with the Listing Requirements.

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

In fully embracing the spirit of corporate governance and to facilitate the discharge of the Board's stewardship responsibilities, the Board has since 2002 adopted the six specific responsibilities as prescribed by the Best Practices of the Malaysian Code on Corporate Governance.

Ab. Board Balance

The Board comprises two executive Directors and eight non-executive Directors, four of whom are independent. This composition demonstrates the range of experiences necessary for applying independent judgment on issues of strategy, performance, resource utilisation and standards of conduct, all of which are vital to the Company. 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 interest 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 debate 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 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 forms 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 Company and the performance of its management.

Ac. 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 manner and appropriate quality to enable them to discharge their duties and 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 minutes of 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. Towards this end, 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.

Ad. 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.

In line with the Best Practices of the Code, a Nomination Committee, composed exclusively of non-executive Directors (the majority of whom are independent) proposes new nominees to the Board and Board committees, and assesses 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.

Ae. Directors' Training

As at the date of this statement, all Directors have attended the Mandatory Accreditation Programme (MAP) and accumulated 72 CEP points as required under the provisions of Practice Note 15/2003.

In line with the provisions of 15.09 of the Listing Requirements, various training programmes, conferences and site visits were organised for members of the Board during the year. All Directors have attended at least two of the training programmes organised by the Company.

Directors' training programmes, conferences and site visits

1. **Visit to PTP**
   MMC / PTP
   12 January 2005

2. **Making Corporate Boards More Effective**
   Harvard Club of Malaysia
   10 – 11 March 2005

3. **Fraud Awareness for Directors**
   PNB Investment Institute
   24 March 2005

4. **Bursa Malaysia's Listing Requirements in Relation to Transactions**
   Bursatra Sdn Bhd
   5 April 2005

5. **From Good Governance to Good Results**
   Rating Agency Malaysia Berhad
   12 May 2005

6. **Visit to Tanjung Bin Power Plant**
   MMC / Malakoff
   7 June 2005

7. **Global Market Issues & Trends**
   PNB Investment Institute
   16 June 2005

8. **Strategic Negotiation for Senior Executives**
   Harvard Club of Malaysia
   29 – 30 June 2005

Board visit to the Tanjung Bin power plant in June 2005.

Directors' training programmes, conferences and site visits

9. **Visit to SMART**
   MMC / SMART
   7 July 2005

10. **MMC Directors & Senior Management's Retreat, Langkawi**
    MMC
    28 July – 30 July 2005

11. **Visit to Lumut & Prai Power Plant**
    MMC / Malakoff
    1 – 2 September 2005

12. **Global Leadership Forum**
    Perdana Leadership Foundation
    6 – 7 September 2005

13. **Board Room Finance for Directors**
    The Chartered Institute of Management Accountants
    27 – 28 September 2005

14. **GST Awareness**
    IJM Corporation Berhad
    7 November 2005

15. **Financial Reporting Standards (FRS)**
    PricewaterhouseCoopers
    10 November 2005

16. **Board Room Briefing for Directors**
    Smart Focus Business Consulting
    19 November 2005

The Directors and Senior Management's Retreat provided participants with opportunities for strategic thinking, discussion and interaction on how to take the Group forward. Industry practitioners were also invited to share their experience, especially best practices of successful companies.

Af. 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. However, under the Articles, retiring Directors are eligible for re-election. In addition, pursuant to the Companies Act, 1965, Directors over the age of seventy years are required to retire from office at every AGM and shall be eligible for re-appointment to hold office until the next AGM.

B. DIRECTORS REMUNERATION

Ba. The Level and Make-up of Remuneration

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

Bb. Procedure

The Remuneration Committee has the responsibility to recommend to the Board, the compensation and benefits of the executive Directors. In discharging this duty, the Remuneration Committee will evaluate the executive Directors' performance against the goals and objectives set by the Board. Towards this end, the Company has in place a formal and transparent evaluation procedure to ensure that the remuneration packages of executive Directors are 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 respective Director, the Board and each committee. In principle, the questionnaire will ask Directors to evaluate the quality of information and analysis presented to them. It will also solicit their comments on the effectiveness of the Board or committee's discussions as well as their suggestions for improving the function 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.

Bc. Disclosure

The fees payable to non-executive Directors are approved by shareholders at the AGM 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'000	Meeting and other allowances (RM)	Benefits in kind (RM)
Executive Directors	–	2,105	–	128,505
Non-Executive Directors	453,000	–	53,250	29,374

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	–	3
RM50,000 to RM100,000	–	5
RM500,000 to RM550,000	1	–
RM1,550,000 to RM1,600,000	1	–

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

C. SHAREHOLDERS

Ca. 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 businesses included in the notice is accompanied by an 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.

MMC's new logo was unveiled for the first time to shareholders at MMC's last AGM in April 2005.

Active participation by shareholders at the AGM.

Cb. Dialogue between the Company and Investors

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

1. **Communications**
   Our objective is to give investors the best information possible so that they can accurately apply it to evaluate the Company. As we report new developments and financial results, investors assess how each piece of information fits into the Company's overall strategy. Information creates insights that help investors make informed decisions about the fundamental strengths and prospects of the Company.

Analyst briefing in April 2005.

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**
   We seek to understand the current attitudes of investors towards the Company, our 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:

- Printed material: annual reports, press releases, and fact sheets;
- Electronic means: quarterly reports, website and email; and
- Oral communication: general meetings, one-on-one meetings and group analyst meetings.

Our Corporate Communications & Investor Relations department is tasked among others, to develop and implement an investor relations programme for the Company and the Group, and to take charge of all corporate communications initiatives. This department also organises meetings between top management and research analysts and fund managers, and participates in investor conferences. Feedback from these meetings are analysed and relayed to management for any follow up action.

D. ACCOUNTABILITY AND AUDIT

Da. 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 statements to shareholders.

In preparing the financial statements of the Company for the financial year ended 31 December 2005, the Directors have:

- used appropriate accounting policies and applied them consistently;
- ensured that all the requirements of MASB's approved accounting standards have been followed; and
- prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Db. Internal Control

The Board is responsible for reviewing 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 system of internal control to safeguard the shareholders' investment and the Company's assets. The Board reviews the effectiveness of the system of internal controls through the Audit Committee which oversees the work of the internal audit Division and comments made by the external auditors in their management letter and internal audit reports.

Dc. 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. The committees are the Audit Committee, the Executive Committee, the Nomination Committee and the Remuneration Committee. The minutes of proceedings of each committee meeting are circulated to all Board members so that each Director is aware of the deliberations and resolutions made.

Additionally, where applicable, the committee shall report its decisions to the Board and present their commendations to the Board for approval.

The **Audit Committee** comprises four 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, the Group Chief Operating Officer and the internal 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 two non-executive Directors. The committee is responsible towards strategic and operational plans which fall within their level of authority. Meetings are scheduled four times a year in between Board meetings. This will allow matters that fall within the committee's limit or terms of reference to be deliberated and decided by the committee, thus reducing the Board's agenda.

The committee also reviews proposals especially in relation to proposed participations in tender bids and new business ventures, before they are considered by the Board. Where appropriate, recommendations are made to the Board on decisions reserved to the Board.

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

Additionally, the committee oversees and evaluates the Board's effectiveness and suggests opportunities for improvement. The committee solicits comments from each Board member, via a prescribed evaluation form, on how the Board, the Board's committees and each individual Director's performance can be improved. Comments are treated in strict confidence and are addressed directly to the Chairman of the Board who is also the Chairman of the Nomination Committee. The committee reviews the appropriate skills, experience and characteristics required of Board and its committees' members, considering their current makeup. They assess issues such as international experience, independence and skills such as understanding of finance, legal and technical issues.

The committee also considers the succession planning framework for the Group and reviews whether they are in order and whether adequate training programmes are being developed to address any competency gaps.

The **Remuneration Committee** comprises three non-executive Directors, one of whom is independent. The committee considers the remuneration of executive Directors.

Annually the committee meets privately to discuss the executive Directors' current year performance against the performance objectives approved by the Board earlier in the year. Once the executive Directors' performance are evaluated and compensation determined, the committee considers the Group's proposed bonus and increment for the year and makes the necessary recommendations to the Board concerning the appropriate compensation for the Company's officers.

The committee also reviews the non-executive Directors' remuneration and compares them to compensation at peer companies. Where required, the committee recommends the appointment of external consultants to undertake the review.

Board and Committee Meeting Attendance

Set out below is the attendance record of the Board members for the Board and Committee meetings for the period between 1 January 2005 and 31 December 2005:

No.	Name	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
1.	Dato' Wira Syed Abdul Jabbar bin Syed Hassan	6/6	–	1/1	1/1	4/4
2.	Dato' Ismail Shahudin	6/6	–	–	–	4/4
3.	Tan Sri Dato' Thong Yaw Hong	4/6	4/4	1/1	1/1	–
4.	Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob	5/6	–	–	–	–
5.	Dato' Hilmi bin Mohd. Noor	5/6	–	–	1/1	4/4
6.	Dato' Abdullah bin Mohd. Yusof	6/6	4/4	1/1	–	–
7.	Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin	6/6	4/4	–	–	–
8.	Encik Halim bin Haji Din	5/6	4/4	–	–	–
9.	Datuk Mohd. Sidik Shaik Osman	4/6	–	–	–	–
10.	Encik Feizal Ali	6/6	–	–	–	–

INTERNAL CONTROL STATEMENT

Introduction

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 risks and that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

Our four associate companies, Malakoff Berhad, Tronoh Consolidated Malaysia Berhad, Integrated Rubber Corporation Berhad and Malaysia Smelting Corporation Berhad, have not been included as part of the Group for the purpose of this Internal Control Statement. However, these companies are listed on Bursa Malaysia and would comply with this reporting requirement in their own right.

Group Risk Management Framework

The established Group Risk Management Framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situations and ensure relevance at any given time. Management, in keeping with good corporate governance practice, takes a serious view of ensuring that the Group is always on alert for any situation that might affect its assets, income and ultimately, profits.

Risk Assessment Tool System

The Group's risks are monitored and updated constantly by the risk owners via the Risk Assessment Tool System (RATS). The data contained in RATS, accessible anytime, will then be checked and reviewed by the management of individual subsidiaries, the ultimate risk owners.

The Internal Audit Department extracts from RATS risks that are rated ‘high’, reviews the corrective measures and if required, discusses them with the risk owners. The risks are then compiled into the Group Risk Management Quarterly Report and submitted to the Group Chief Operating Officer and the Group Chief Executive for their review. The report will then be tabled to the Board of Directors at each quarterly meeting so that the Board is aware of major risks within the Group and to ensure prompt action by the management to mitigate the risks.

Business Continuity Plan

MMC’s Business Continuity Plan (BCP) is a pro-active crisis management programme that addresses how the organisation should react to unexpected business interruptions. It identifies the critical elements which are required so that essential business functions are able to continue in the event of unforeseen or difficult circumstances.

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 ensure minimal additional disruption.

The Company also has a tested IT Disaster Recovery 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 to the management of head office and companies in the Group, including financial authority limits.
- Where appropriate, certain companies have ISO 9001: 2000 and ISO 14001 accreditations for their operational processes.
- Review of proposals for material capital and investment acquisitions by the Executive Committee before review and approval by the Board.
- Budgeting process where companies prepare budgets every year, which are approved at company level, are reviewed by the Executive Committee and/or the Board.
- Monthly Performance Reports, benchmarked against budgets and objectives, are regularly provided to Directors and discussed at the Executive Committee and/or Board meetings.

- Monitoring of performance, including discussion of any significant issues at regular meetings with heads of business units.
- Board representation in companies in which we have a material interest, to facilitate the performance review of these companies.
- Periodic reviews by the internal auditor, providing an independent assurance on the effectiveness of the Group's system on 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 the Group's internal control procedures. Each listed company in the Group has its own Audit Committee. Each Audit Committee will review reports from the internal and external auditors and report its conclusion to their Board. The Audit Committee is provided with a summary of the internal audit reports for the listed subsidiaries.
- The Risk Management Framework of the Group is in place together with RATS to assist in the Group's risk management process.
- The implementation of an Enterprise Resource Planning System (ERP) 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 this annual report.

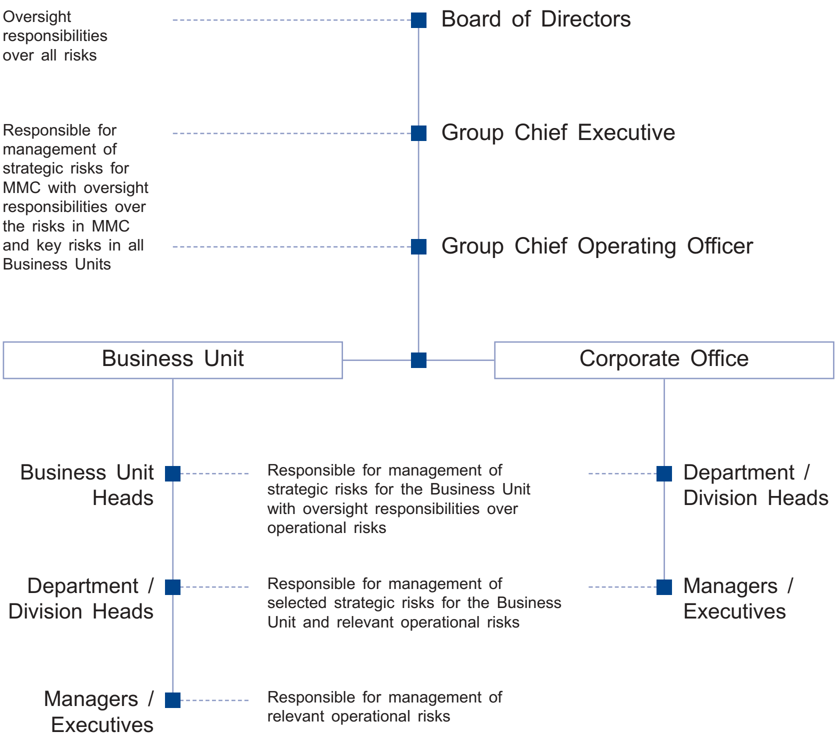
Code of Ethics

We are committed to deliver the best in everything we do, and the Code helps us achieve the right things in a right manner at all times. Each employee knows exactly what is expected of them, not only in their deliverables but also the way in which they should achieve those deliverables. We emphasise a well-rounded development of our employees and the Code assists us in achieving that objective.

RISK MANAGEMENT REPORT

The management of risks is an integral part of the Group's management process. The process for managing risks is therefore embedded into the operational processes of the Group. In pursuing our vision, we recognise that we will face risks associated with our business strategy, operations and our people, assets and reputation. The effective management of the entire spectrum of these risks is the purpose of the Group Risk Management Policy.

Structure and Roles



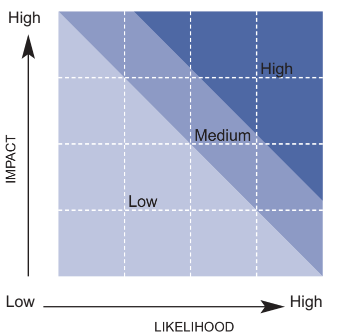
Group Risk Management Policy

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. It is measured in terms of likelihood and consequences (impact). Business risks arise as much from the likelihood of loss opportunities as it does 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 Report Process

Monitoring and reporting is an essential stage in managing risks as few risks remain static. An overview of the Group's monitoring and reporting process is provided in the diagram below:

Board of Directors	
Group Chief Executive **Group Chief Operating Officer**	• Perform monthly compliance and assessment in RATS and review assessments done in the Group • Review for exceptions: non-compliance with controls, changes in applicability of risks and controls, and delays in the implementation of action plans for the Group • Present risk management report to the Board quarterly
Business Unit Heads	• Perform monthly compliance and assessment in RATS and review assessments done in the business unit • Review for exceptions: non-compliance with controls, changes in applicability of risks and controls, and delays in the implementation of action plans for the business unit • Submit risk management report for the Business Unit to the corporate office quarterly
Department Heads	• Perform monthly compliance and assessment in RATS • Review for exceptions: non-compliance with controls, changes in applicability of risks and controls, and delays in the implementation of action plans for the department
Managers/ Executives	• Perform monthly compliance and assessment in RATS and review primary and secondary risks

CORPORATE SOCIAL RESPONSIBILITY REPORT

Our culture extends beyond business, and we recognise that part of being a good corporate citizen is being socially responsible.

Corporate social responsibility is about our commitment to behave ethically and contribute towards the well being of society at large. We believe that corporate social responsibility and business excellence are mutually collaborative; being financially healthy allows us to contribute to society, and operating responsibly contributes to our financial success.

SOCIAL & HUMANITARIAN

In response to the powerful earthquake that struck Pakistan last October, MMC made a financial contribution to the Pakistan Earthquake Fund to assist international relief efforts in aid of the victims of the tragedy. The earthquake was the worst natural disaster to hit the region in decades and left 86,000 dead, 80,000 injured and over 2.5 million homeless.

In support of the Perdana Leadership Foundation, MMC participated as a major sponsor of the Perdana Global Peace Forum 2005 which was held in Kuala Lumpur last December. The Forum provided an international platform for the discussion of world problems and viable solutions to volatile international issues.

ENVIRONMENT

Our socially and environmentally-responsible business practice is echoed in our investment in the waste management and recycling business. We will contribute to a better environment by recycling municipal solid waste through our subsidiary, Recycle Energy Sdn Bhd. Non-recyclable waste will be converted into electricity and exported to the national grid.

YOUTH & EDUCATION

MMC continued to support Outward Bound Malaysia, Lumut, a non-profit organisation that provides character and leadership training to trainees through adventure-based courses and experiential learning. More than 100,000 trainees from all walks of life have experienced the Outward Bound journey since the School was founded in 1954.

ADDITIONAL COMPLIANCE INFORMATION

Conflict of Interest

Save as otherwise disclosed in the financial statements, none of the Directors have any interest in contracts entered into by 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 or Convertible Securities

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

American Depository Receipt (ADR) or Global Depository 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 RM291,000.

Profit Estimate, Forecast or Projection

The Company did not make any release on the profit estimate, forecast or projection for the financial year.

Profit Guarantee

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

Material Contracts

Save as disclosed below, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year:

a) Share Purchase Agreement between the Company and Seaport Terminal (Johore) Sdn Bhd ("Seaport")

   MMC had on 24 September 2004 entered into a Share Purchase Agreement ("PTP SPA") with Seaport in relation to the acquisition of 39,799,999 ordinary shares of RM1.00 each in Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") representing approximately 19.9% of the issued and paid-up share capital of PTP for a total purchase consideration of RM756,200,000 subject to the terms and conditions therein.

   The PTP SPA was completed on 4 October 2005.

b) Share Sale Agreement

   MMC had on 7 December 2005 entered into a Share Sale Agreement with Seaport in relation to the acquisition of 170,755,002 ordinary shares of RM1.00 each in Johor Port Berhad ("JPB") representing approximately 51.74% of the issued and paid-up share capital of JPB (as at 7 December 2005) for a total cash consideration of RM426,887,505 subject to the terms and conditions therein.

   The acquisition was completed on 20 March 2006.

Contracts Relating to Loan

During the last financial year, 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.

CORPORATE INFORMATION

Board of Directors

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Dato' Ismail Shahudin
Group Chief Executive

Tan Sri Dato' Thong Yaw Hong

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
Group Chief Operating Officer

Company Secretary

Elina Mohamed

Registered Office

10th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel: 603 2092 5588
Fax: 603 2093 9917
E-mail: cosec@mmc.com.my

Auditors

PricewaterhouseCoopers
Chartered Accountants

Share Registrars

Symphony Share Registrars
Sdn Bhd
Level 26,
Menara Multi Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 603 2721 2222
Fax: 603 2721 2530

Principal Bankers

Bumiputra-Commerce
Bank Berhad

Malayan Banking Berhad

Stock Exchange Listing

Main Board
Bursa Malaysia
Securities Berhad

CONTENTS

financial STATEMENTS

DIRECTORS' REPORT

for the financial year ended 31 December 2005

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

The principal activities of the Group consist of 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, property and mine management, erection of power transmission lines, power generation, design and construction of public light rail system and conversion of municipal solid waste to energy.

There have been no significant changes in the nature of these activities during the financial year, except for the Group's involvement in asset management, operations and maintenance services and natural gas separation works following the Joint Venture and Shareholders Agreements to form MMC-Transfield Services Sdn Bhd and MMC-VME Sdn Bhd respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after taxation	481,203	77,772
Minority interest	(100,315)	–
Net profit for the financial year	380,888	77,772

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial period ended 31 December 2004, as shown in the Directors' report of that financial period, a final gross dividend of 5 sen per share, less 28% income tax and a special dividend of 1 sen per share, less 28% income tax on 1,126,613,046 ordinary shares, paid on 27 May 2005	48,670

DIVIDENDS (CONTINUED)

The Directors recommend the payment of a final gross dividend comprising 5 sen per share, less 28% income tax and a special dividend of 1 sen per share, less 28% income tax on 1,522,529,276 ordinary shares amounting to RM65,773,265 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 8 June 2006 to shareholders registered on the Company's Register of Members at the close of business on 19 May 2006.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

On 4 October 2005, the Company issued 395,916,230 new ordinary shares of RM0.10 each at an issue price of RM1.91 per ordinary share to Seaport Terminal (Johore) Sdn Bhd as a settlement of purchase consideration for the acquisition of additional 39,799,999 ordinary shares of RM1.00 each in Pelabuhan Tanjung Pelepas Sdn Bhd. These new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

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' 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

In accordance with Article 78 of the Company's Articles of Association, Dato' Wira Syed Abdul Jabbar bin Syed Hassan, Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob and Dato' Hilmi bin Mohd. Noor 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 offer 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.

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 previous financial period, 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 or the fixed salary of a full time employee of the Company and its related corporation as disclosed in Note 6(iii) to the financial statements and professional fees charged by companies related to a Director as disclosed in Note 38 to 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 are as follows:

Shareholdings in which Directors have deemed interest in MMC Corporation Berhad.

	Number of ordinary shares of RM0.10 each in the Company			
	At 1.1.2005	**Bought**	**Sold**	**At 31.12.2005**
Dato' Wira Syed Abdul Jabbar bin Syed Hassan*	3,000	–	–	3,000
Dato' Ismail Shahudin**	6,000	–	(6,000)	–
Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin**	6,000	–	–	6,000

* *Deemed interested through the shares held by his son*

** *Deemed interested through the shares held by the spouse*

Other than as 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 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 Company had been written down to an amount which they might be expected so to realise.

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 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 Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 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 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 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; except for the gain on disposal of an investments as disclosed in Note 40 to the financial statements; and

(b) 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 Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard Indra Cita Sdn Bhd, a company incorporated in Malaysia as the ultimate holding company.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 40 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 their resolution dated 27 February 2006.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Feizal Ali
Director

Kuala Lumpur

STATEMENT BY DIRECTORS

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

We, **Dato' Wira Syed Abdul Jabbar bin Syed Hassan** and **Feizal Ali**, two of the Directors of **MMC Corporation Berhad**, state that, in the opinion of the Directors, the financial statements set out on pages **67** to **150** are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2005 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2006.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Feizal Ali
Director

Kuala Lumpur

STATUTORY DECLARATION

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

I, **Mohamed Sophie bin Mohamed Rashidi**, the officer primarily responsible for the financial management of **MMC Corporation Berhad**, do solemnly and sincerely declare that the financial statements set out on pages **67** to **150** 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.

MOHAMED SOPHIE BIN MOHAMED RASHIDI

Subscribed and solemnly declared by the abovenamed
Mohamed Sophie bin Mohamed Rashidi

At: Kuala Lumpur
On: 27 February 2006

Before me:

Commissioner for Oaths

REPORT OF THE AUDITORS

to the members of MMC Corporation Berhad (Company No. 30245H)

We have audited the financial statements set out on pages **67** to **150**. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 December 2005 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 39 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. 1867/09/06 (J))
Partner of the firm

Kuala Lumpur
27 February 2006

INCOME STATEMENTS

for the financial year ended 31 December 2005

		Group		Company	
	Note	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
Revenue	3	**1,929,127**	1,378,475	**371,444**	291,433
Cost of sales	4	**(1,344,043)**	(886,820)	**(242,071)**	(138,444)
Gross profit		**585,084**	491,655	**129,373**	152,989
Other operating income					
– gain on disposal of investments		**195,193**	108,018	**27,689**	–
– others		**43,395**	42,257	**5,443**	1,166
Distribution costs		**(1,811)**	(955)	**–**	–
Administrative expenses		**(212,439)**	(188,346)	**(19,032)**	(19,557)
Operating expenses		**(70,959)**	(69,565)	**(15,636)**	(5,650)
Profit from operations	6	**538,463**	383,064	**127,837**	128,948
Finance costs	7	**(165,452)**	(176,947)	**(30,426)**	(42,488)
Share of results of:					
– associates		**242,010**	248,244	**–**	–
– jointly controlled entities	14	**(210)**	4,549	**–**	–
Profit before taxation		**614,811**	458,910	**97,411**	86,460
Tax expense:					
– Company and subsidiaries	8	**(53,724)**	(22,111)	**(19,639)**	(27,258)
– associates	8	**(79,884)**	(75,495)	**–**	–
		(133,608)	(97,606)	**(19,639)**	(27,258)
Profit after taxation		**481,203**	361,304	**77,772**	59,202
Less: Minority interest		**(100,315)**	(70,499)	**–**	–
Net profit for the financial year/period		**380,888**	290,805	**77,772**	59,202
Earnings per ordinary share (sen)					
– Basic	9	**31.1**	25.8		
– Diluted	9	**31.1**	25.8		
Dividends per ordinary share (sen):					
– Proposed final	10	**6.0**	6.0	**6.0**	6.0

BALANCE SHEETS

as at 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	**3,563,008**	3,258,386	**8,698**	8,817
Investments in subsidiaries	12	**–**	–	**3,294,685**	2,536,270
Investments in associates	13	**1,494,072**	1,426,599	**192,694**	206,244
Investments in jointly controlled entities	14	**105,888**	1,098	**–**	–
Other investments	15	**–**	–	**–**	–
Amounts due from subsidiaries	16	**–**	–	**462,216**	540,274
Amounts due from an associates	17	**–**	5,000	**–**	5,000
Other asset	18	**–**	–	**–**	–
Intangible assets	19	**1,737,733**	1,773,487	**–**	–
Deferred tax assets	20	**9,075**	12,607	**1,476**	227
		6,909,776	6,477,177	**3,959,769**	3,296,832
CURRENT ASSETS					
Inventories	21	**31,064**	32,019	**–**	–
Trade and other receivables	22	**369,386**	384,136	**39,434**	94,500
Tax recoverable		**24,349**	24,881	**21,018**	14,716
Amount due from holding company	23	**40,780**	15,780	**40,780**	15,780
Marketable securities	24	**85,185**	188,863	**–**	–
Deposits, bank and cash balances	25	**447,509**	362,444	**175,304**	40,670
		998,273	1,008,123	**276,536**	165,666
CURRENT LIABILITIES					
Borrowings	26	**547,390**	544,481	**65,000**	65,000
Trade and other payables	27	**411,160**	349,101	**27,092**	25,887
Taxation		**22,632**	10,066	**–**	–
		981,182	903,648	**92,092**	90,887
NET CURRENT ASSETS		**17,091**	104,475	**184,444**	74,779
		6,926,867	6,581,652	**4,144,213**	3,371,611

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
FINANCED BY:					
CAPITAL AND RESERVES					
Share capital	28	**152,253**	112,661	**152,253**	112,661
Reserves	29	**3,599,507**	3,223,050	**2,696,629**	1,947,725
Shareholders' equity		**3,751,760**	3,335,711	**2,848,882**	2,060,386
Minority interests	30	**283,269**	168,934	**–**	–
		4,035,029	3,504,645	**2,848,882**	2,060,386
NON-CURRENT LIABILITIES					
Amounts due to subsidiaries	16	**–**	–	**749,328**	526,538
Deferred tax liabilities	20	**99,490**	93,086	**–**	–
Borrowings	26	**2,511,393**	2,719,833	**546,003**	784,687
Provision for retirement benefits	27	**676**	691	**–**	–
Redeemable convertible subordinated loans	31	**158,355**	263,397	**–**	–
Redeemable preference shares	32	**67,000**	–	**–**	–
Deferred income	33	**54,924**	–	**–**	–
		2,891,838	3,077,007	**1,295,331**	1,311,225
		6,926,867	6,581,652	**4,144,213**	3,371,611

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2005

	Note	Share capital RM'000	NON-DISTRIBUTABLE Share premium RM'000	NON-DISTRIBUTABLE Foreign exchange reserve RM'000	NON-DISTRIBUTABLE Revaluation reserve RM'000	NON-DISTRIBUTABLE **Capital reserves RM'000	DISTRIBUTABLE *Capital reserves RM'000	DISTRIBUTABLE Retained earnings RM'000	Total RM'000
At 1 January 2005		112,661	1,324,298	(57,722)	28,120	311,982	923,234	693,138	3,335,711
Net profit for the financial year		–	–	–	–	–	–	380,888	380,888
Currency translation differences		–	–	1,913	–	–	–	–	1,913
Increase in equity interest in existing subsidiaries	12(a)	39,592	715,472	–	–	(100,019)	(573,127)	–	81,918
Net gain/(loss) not recognised in income statement		39,592	715,472	1,913	–	(100,019)	(573,127)	–	83,831
Dividend for financial period ended: – 31 December 2004 (final)	10	–	–	–	–	–	–	(48,670)	(48,670)
At 31 December 2005		152,253	2,039,770	(55,809)	28,120	211,963	350,107	1,025,356	3,751,760

* *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.*

	Note	Share capital RM'000	NON-DISTRIBUTABLE Share premium RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	**Capital reserves RM'000	DISTRIBUTABLE *Capital reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 February 2004		112,661	1,324,298	(51,493)	28,120	311,101	923,234	449,200	3,097,121
Net profit for the financial period		–	–	–	–	–	–	290,805	290,805
Currency translation differences		–	–	(6,229)	–	–	–	–	(6,229)
Increase in equity interest in an existing subsidiary		–	–	–	–	881	–	–	881
Net (loss)/gain not recognised in income statement		–	–	(6,229)	–	881	–	–	(5,348)
Dividend for financial year ended: – 31 January 2004 (final)		–	–	–	–	–	–	(46,867)	(46,867)
At 31 December 2004		112,661	1,324,298	(57,722)	28,120	311,982	923,234	693,138	3,335,711

* *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 December 2005

	Note	Share capital RM'000	NON-DISTRIBUTABLE Share premium RM'000	Foreign exchange reserve RM'000	**Capital reserves RM'000	DISTRIBUTABLE *Capital reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2005		**112,661**	**1,324,298**	**(61,899)**	**211,963**	**243,074**	**230,289**	**2,060,386**
Net profit for the financial year		**–**	**–**	**–**	**–**	**–**	**77,772**	**77,772**
Currency translation differences		**–**	**–**	**4,330**	**–**	**–**	**–**	**4,330**
Increase in equity interest in an existing subsidiary	12(a)	**39,592**	**715,472**	**–**	**–**	**–**	**–**	**755,064**
Net gain not recognised in income statement		**39,592**	**715,472**	**4,330**	**–**	**–**	**–**	**759,394**
Dividend for the financial period ended – 31 December 2004 (final)	10	**–**	**–**	**–**	**–**	**–**	**(48,670)**	**(48,670)**
At 31 December 2005		**152,253**	**2,039,770**	**(57,569)**	**211,963**	**243,074**	**259,391**	**2,848,882**
At 1 February 2004		112,661	1,324,298	(60,565)	211,963	243,074	217,954	2,049,385
Net profit for the financial period		–	–	–	–	–	59,202	59,202
Currency translation differences		–	–	(1,334)	–	–	–	(1,334)
Net loss not recognised in income statement		–	–	(1,334)	–	–	–	(1,334)
Dividend for the financial year ended – 31 January 2004 (final)		–	–	–	–	–	(46,867)	(46,867)
At 31 December 2004		112,661	1,324,298	(61,899)	211,963	243,074	230,289	2,060,386

** 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 December 2005

	Note	Group Financial year ended 31.12.2005 RM'000	Group 11 months ended 31.12.2004 RM'000	Company Financial year ended 31.12.2005 RM'000	Company 11 months ended 31.12.2004 RM'000
OPERATING ACTIVITIES					
Profit before taxation		**614,811**	458,910	**97,411**	86,460
Adjustments for:					
Depreciation		**152,318**	141,098	**1,699**	3,201
Dividend income		**(10,681)**	(23,681)	**(109,925)**	(131,207)
Impairment in cost of investment in					
– subsidiary		**–**	–	**–**	111
– associates		**10,369**	3,626	**4,623**	431
– other investment		**–**	5,345	**–**	–
Amortisation of intangible assets	19	**36,287**	32,899	**–**	–
Goodwill written off	19	**–**	5,375	**–**	–
Allowance for doubtful debts for amount due from subsidiaries		**–**	–	**5,508**	7
Gain on dissolution of subsidiaries		**–**	(836)	**–**	–
Write-off of project cost		**5,505**	5,101	**5,505**	5,101
Loss on disposal of a subsidiary	12(b)(iv)	**–**	239	**–**	–
Gain on disposal of investments and associates		**(195,193)**	(108,018)	**(27,689)**	–
Gain on disposal of property, plant and equipment		**(1,465)**	(16,902)	**–**	–
Impairment loss of property, plant and equipment		**3,793**	8,296	**–**	–
Write back of allowance for doubtful debts		**(7,548)**	(5,866)	**–**	–
Bad debts recovered		**(687)**	(1,050)	**–**	–
Allowance for doubtful debts		**13,235**	23,010	**5,000**	–
Allowance for slow moving inventories		**1,018**	145	**–**	–
Interest income		**(11,252)**	(8,096)	**(5,107)**	(1,016)
Interest expense		**165,452**	176,947	**30,426**	42,488
Share of results in:					
– associates		**(242,010)**	(248,244)	**–**	–
– jointly controlled entities		**210**	(4,549)	**–**	–
Allowance for mining exploration expenditure		**172**	162	**172**	162

	Note	Group Financial year ended 31.12.2005 RM'000	Group 11 months ended 31.12.2004 RM'000	Company Financial year ended 31.12.2005 RM'000	Company 11 months ended 31.12.2004 RM'000
OPERATING ACTIVITIES (CONTINUED)					
Unrealised loss/(gain) on foreign exchange		**38**	(273)	**333**	38
Provision for retirement benefits		**92**	109	**–**	–
		534,464	443,747	**7,956**	5,776
Changes in working capital:					
Inventories		**(63)**	(8,354)	**–**	–
Trade and other receivables		**(4,721)**	25,032	**54,734**	54,732
Trade and other payables		**64,948**	(3,438)	**(9,808)**	(81,003)
Designated accounts and pledged deposits		**120**	(12,565)	**–**	–
Cash generated from/(used in) operations		**594,748**	444,422	**52,882**	(20,495)
Income tax paid		**(23,065)**	(5,298)	**–**	(4,264)
Mining exploration expenditure		**(172)**	(162)	**(172)**	(162)
Retirement benefits paid		**(216)**	(146)	**–**	–
Net cash flow generated from/ (used in) operating activities		**571,295**	438,816	**52,710**	(24,921)
INVESTING ACTIVITIES					
Acquisition of subsidiaries	12	**–**	(8,123)	**(3,352)**	(6,777)
Net cash inflow on disposal of a subsidiary	12	**–**	1,126	**–**	–
Dividends received from:					
– subsidiaries		**–**	–	**61,845**	85,675
– associates		**60,830**	64,536	**20,889**	10,284
– jointly controlled entities		**–**	7,639	**–**	–
– others		**10,681**	23,681	**–**	–
Interest received		**11,252**	8,096	**5,107**	1,016
Research and development expenses		**(533)**	–	**–**	–
Proceeds from sale of investments and associates		**325,175**	174,443	**36,617**	–

	Note	Group Financial year ended 31.12.2005 RM'000	Group 11 months ended 31.12.2004 RM'000	Company Financial year ended 31.12.2005 RM'000	Company 11 months ended 31.12.2004 RM'000
INVESTING ACTIVITIES (CONTINUED)					
Purchases of shares in jointly controlled entities		**(105,000)**	–	**–**	–
Proceeds from sale of property, plant and equipment		**2,052**	29,340	**–**	–
Purchases of property, plant and equipment		**(461,320)**	(270,945)	**(1,581)**	(547)
Net cash flow/(used in) generated from investing activities		**(156,863)**	29,793	**119,525**	89,651
FINANCING ACTIVITIES					
Dividends paid		**(48,670)**	(46,867)	**(48,670)**	(46,867)
Dividends paid to minority interests of subsidiaries		**(8,507)**	(5,500)	**–**	–
Interest paid		**(165,452)**	(176,947)	**(30,426)**	(42,488)
Amounts due from:					
– holding company		**–**	–	**(25,000)**	–
– subsidiaries		**–**	–	**78,058**	(1,574)
Amounts due to subsidiaries		**–**	–	**222,790**	201,641
Borrowings					
– new drawdown		**322,720**	225,103	**–**	15,000
– repayment		**(529,479)**	(358,026)	**(238,683)**	(177,303)
Proceeds from issuance of preference shares		**67,000**	–	**–**	–
Government compensation received		**30,000**	–	**–**	–
Net cash flow used in financing activities		**(332,388)**	(362,237)	**(41,931)**	(51,591)

	Note	Group		Company	
		Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
FINANCING ACTIVITIES (CONTINUED)					
Net increase in cash and cash equivalents		**82,044**	106,372	**130,304**	13,139
Foreign exchange differences		**1,913**	(6,229)	**4,330**	(1,334)
Cash and cash equivalents at beginning of financial year		**349,627**	249,484	**40,670**	28,865
Cash and cash equivalents at end of financial year/period		**433,584**	349,627	**175,304**	40,670
Cash and cash equivalents comprise:					
Cash and bank balances		**37,579**	38,724	**1,197**	198
Deposits		**409,930**	323,720	**174,107**	40,472
Bank overdrafts		**(1,228)**	–	**–**	–
		446,281	362,444	**175,304**	40,670
Less:					
Designated accounts	26	**(12,675)**	(4,109)	**–**	–
Deposits pledged for banking facilities		**(22)**	(8,708)	**–**	–
		433,584	349,627	**175,304**	40,670

Included in the deposits of the Group are:

(a) an amount of RM12,675,000 (2004: RM4,109,000) being assigned as Designated Accounts for the loans as disclosed in Note 26; and

(b) deposits of RM22,000 (2004: RM8,708,000) which are pledged for certain banking facilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2005

The following accounting policies are adopted by the Group and Company and are consistent with those adopted in previous financial years, unless otherwise stated.

(A) BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and are in compliance with the provisions of the Companies Act, 1965 and the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the MASB 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

The consolidated financial statements made up to 31 December 2005 include the financial statements of the Company and all its subsidiaries.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

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 subsidiary's 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. Negative goodwill is carried as a reserve on consolidation and is recognised in the income statement over the estimated useful life of the related asset. Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

All changes in composition of the Group's interest in a subsidiary resulting from an acquisition or disposal of equity shares in that subsidiary from or to minority interest that are not satisfied by cash consideration are treated as an equity transaction between the Group and minority shareholders. Any difference between the Group's share of net assets immediately before and immediately after the change in composition and any consideration received or paid, is adjusted against Group reserves.

(B) BASIS OF CONSOLIDATION (CONTINUED)

When control of a subsidiary is achieved in stages of successive purchases of shares, the fair value adjustment attributable to previously held equity interest 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 impairment). 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.

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.

(E) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

Revaluation of certain properties were carried out primarily as a one-off exercise and were not intended to effect a change in the accounting policy to one of revaluation of properties. The Directors have applied the transitional provisions of the International Accounting Standard No. 16 (Revised) Property, Plant and Equipment, an extant standard adopted by the Malaysian Accounting Standards Board, which allows those properties to be stated at their valuation. Accordingly, these valuations have not been updated.

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 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.

Repairs and maintenance are charged to the income statement during the year/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.

(F) DEPRECIATION

Depreciation on non-mining assets is provided at rates, which are considered adequate to write off the cost/revalued amount of property, plant and equipment over their estimated useful lives. No depreciation is provided on freehold land while leasehold land is depreciated 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 the assets' expected output so as to write off the cost of these assets, less estimated residual value, over the estimated life of the ore reserves, which will be extracted on before the expiry of the respective leases.

Expressway development expenditure comprises development and upgrading expenditure (including interest charges relating to financing of the development prior to its completion) incurred in connection with a privatised highway project. The cumulative actual expenditure incurred is amortised at each balance sheet date until the end of the concession period on 27 June 2026.

(F) DEPRECIATION (CONTINUED)

The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives, summarised as follows:

Leasehold land	20 to 101 years
Buildings	50 years
Plant, machinery, dredges and other mining equipment	3 to 10 years
Pipelines system	20 years

(G) IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets (except for amounts due from subsidiaries, associates and deferred tax assets) are reviewed for impairment losses whenever events or changes in circumstances (for depreciable non current assets) 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, jointly 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 impairment loss is recognised 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. Decreases in the carrying amount of marketable securities are 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.

(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.

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.

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 on acquisition of subsidiaries is stated at cost less accumulated amortisation and accumulated impairment losses and is amortised using the straight line method over its estimated useful life of between 20 to 52 years. 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.

Goodwill arising from equity transaction between the Group and minority shareholders as disclosed in accounting policy Note (B) on basis of consolidation is adjusted against Group reserves.

(K) GOODWILL (CONTINUED)

Goodwill on acquisition of associates is stated at cost less accumulated impairment losses. The goodwill is subject to an annual impairment test to assess whether the carrying amount of the goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(L) INTELLECTUAL PROPERTY

The intellectual property represents the cost of acquiring the rights to use the Refuse Derived Fuel technology comprising technical information, copyright and patent. This expenditure is capitalised as it is able to generate future economic benefits to the Group and is amortised over the estimated useful life of the related asset of 30 years. The intellectual property is 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 related asset exceeds its recoverable amount.

(M) DEVELOPMENT EXPENDITURE

Development expenditure incurred for the development of new products is stated at cost and is amortised over a period of five years. The carrying amount of development expenditure is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the new product is determined by estimating the present value of future cash flows of the new product. Refer accounting policy Note (G) on impairment of assets.

(N) 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 depending on type of inventories. 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 cost of completion and selling expenses.

(O) 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 year 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 debt is written off when identified.

(P) 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.

(Q) 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 ventures 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.

(R) 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.

(S) 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 plan

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 obligation 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.

(S) EMPLOYEE BENEFITS (CONTINUED)

(ii) Post employment benefits (continued)

Defined benefit plan

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 of the Group and extended to all other full time employees of the subsidiary. The benefits payable on retirement are based on the last drawn monthly basic salary and length of company 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. The subsidiary 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 FRS 119 (formerly known as MASB 29) "Employee Benefits" 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 was last valued on 1 January 2005 by an independent qualified actuary using the projected unit credit method.

(T) 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.

(T) 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 net value invoiced to customers during the period.

(v) Toll operations

Revenue is recognised upon receipt of toll collections. Toll compensation is recognised when receipt is probable and the amount that is receivable can be measured reliably. Toll compensation arising from the Government's restructuring of toll rates is initially recorded as deferred income and subsequently recognised as revenue based on future loss in toll collections over the remaining concession period.

(vi) Dividend income

Dividend income is recognised when the 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 based on accruals basis.

(U) FINANCE COSTS

All interest and other costs incurred in connection with borrowings, other than that capitalised in accordance with Note (Y), are expensed as incurred.

(V) FOREIGN CURRENCIES

(i) 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. On dissolution of the foreign entity, foreign currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

(ii) Foreign currency transactions and balances

Foreign currency transactions in the Group 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.

(iii) 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:

	2005 **RM**	2004 RM
1 US Dollar	**3.78**	3.80
1 Australian Dollar	**2.81**	2.88
1 Euro	**4.55**	5.04
1 Singapore Dollar	**2.27**	2.31
1 Pound Sterling	**6.69**	7.34
100 Japanese Yen	**3.27**	3.63

(W) 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) Financial instruments not recognised on the balance sheet

Foreign currency forward contract

The Group enters into foreign currency forward contracts to limit its exposure on movements in foreign currency exchange rates as disclosed in Note 41.

Exchange gains and losses arising on forward contracts are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

(iv) 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 value 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.

(X) 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.

(Y) BORROWINGS

Borrowings are stated at cost after deducting transaction costs.

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.

(Z) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2005

1 CORPORATE INFORMATION

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

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, property and mine management, erection of power transmission lines, power generation, design and construction of public light rail system and conversion of municipal solid waste to energy.

There have been no significant change in the nature of these activities during the financial year, except for the Group's involvement in asset management, operations and maintenance services and natural gas separation works following the Joint Venture and Shareholders Agreements to form MMC-Transfield Services Sdn Bhd and MMC-VME Sdn Bhd respectively.

The ultimate holding company is Indra Cita Sdn Bhd, a company incorporated in Malaysia.

The number of employees in the Group and Company as at 31 December 2005 was 2,936 (2004: 2,885) and 108 (2004: 109) respectively.

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

The financial statements are expressed in thousands of Ringgit Malaysia unless otherwise stated.

The financial year end of the Company was changed from 31 January to 31 December during the previous financial period. Accordingly, comparative amounts for the income statement, changes in equity, cash flows and related notes to the financial statements are not comparable.

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.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

(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

	Group		Company	
	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
Revenue:				
– contract revenue	**375,586**	227,986	**261,519**	160,226
– sale of goods and gas	**977,585**	628,561	**–**	–
– services	**45,469**	32,882	**–**	–
– port operations	**484,969**	443,581	**–**	–
– toll operations	**34,837**	21,784	**–**	–
– dividends (Note 6(ii))	**10,681**	23,681	**109,925**	131,207
	1,929,127	1,378,475	**371,444**	291,433

4 COST OF SALES

	Group		Company	
	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
Contract cost recognised as an expense	**(347,646)**	(195,119)	**(242,071)**	(138,444)
Cost of goods and gas sold	**(788,829)**	(519,515)	**–**	–
Cost of services	**(25,765)**	(20,926)	**–**	–
Cost of port operations	**(171,523)**	(144,498)	**–**	–
Cost of toll operations	**(10,280)**	(6,762)	**–**	–
	(1,344,043)	(886,820)	**(242,071)**	(138,444)

5 CONTINUING, DISCONTINUING OPERATIONS AND DILUTION OF INTEREST

CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2005

(a) Continuing operations

(i) On 21 February 2005, Anglo-Oriental (Annuities) Sdn Bhd, a wholly-owned subsidiary, acquired additional 49.0% equity interest in Wangsa Struktur Sdn Bhd ("WSSB") making it a wholly-owned subsidiary. The effect of the acquisition of the additional equity interest in WSSB on the financial results of the Group for the financial year is not material.

On 31 March 2005, WSSB has changed its name to Prentis Sdn Bhd.

(ii) During the financial year, the Company has acquired additional 1,653,612 ordinary shares of RM1.00 each in Recycle Energy Sdn Bhd ("RESB"), representing additional 5.4% of its equity interest, for a total cash consideration of RM1.653 million. This has effectively increased the Group's interest in RESB to 51.0% (2004: 45.6%).

The effect of the acquisition of the additional equity interest in RESB on the financial results of the Group for the financial year is not material.

(iii) On 8 September 2005, the Company entered into a Joint Venture and Shareholders Agreement with Transfield Services (International) Pty Ltd to form MMC-Transfield Services Sdn Bhd for the purpose of providing asset management, operations and maintenance services in the Malaysian market.

The effect of the Agreement on the financial results of the Group for the financial year is not material.

(iv) On 19 September 2005, the Company entered into a Joint Venture and Shareholders Agreement with VME Process Asia Pacific Pte Ltd to form MMC-VME Sdn Bhd for the purpose of providing natural gas separation works in the oil and gas industry.

The effect of the Agreement on the financial results of the Group for the financial year is not material.

(v) On 4 October 2005, the Company has completed the acquisition of additional 39,799,999 ordinary shares of RM1.00 each in Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP"), representing 19.9% of its equity interest, for a total purchase consideration of RM756.200 million satisfied by the issuance of 395,916,230 ordinary shares of RM0.10 each at RM1.91 per share in the Company.

Following the acquisition, the Group's effective interest in PTP is increased to 70.0% (2004: 50.1%).

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

CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

(a) Continuing operations (continued)

The effect of the acquisition of the additional shares in PTP on the financial results of the Group for the financial year is as follows:-

	2005			2004
	As a 50.1% subsidiary RM'000	**As a 70.0% subsidiary RM'000**	**Total RM'000**	**Total RM'000**
Profit attributable to shareholders	**21,850**	**23,017**	**44,867**	37,680
Less: Group's share of net profit had the Group not acquired the additional 19.9% interest	**(21,850)**	**(16,473)**	**(38,323)**	
Increase in the Group's net profit at the end of the financial year	**–**	**6,544**	**6,544**	

(b) Discontinuing operations

(i) On 22 March 2005, Southern Kinta Consolidated Limited, a wholly-owned subsidiary which has been dormant since 1990, received confirmation from the Companies House in United Kingdom for the dissolution of the company.

(ii) On 20 May 2005, Malaysia Diamond Manufactures Inc., a wholly-owned subsidiary, which has been dormant since 1993 received confirmation from the State of New York for the dissolution of the company.

(iii) On 17 June 2005, MMC (US) Inc., a wholly-owned subsidiary, which has been dormant since 1987, received confirmation from the State of Delaware for the dissolution of the company.

(iv) On 29 July 2005, MMC Aviation Sdn Bhd, a wholly-owned subsidiary, is struck off from the register of Companies Commission of Malaysia.

The effects of the dissolution striking off of the above and subsidiaries on the financial results of the Group are not material.

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

PREVIOUS FINANCIAL PERIOD ENDED 31 DECEMBER 2004

(a) Continuing operations

(i) On 17 August 2004, Amalan Rantau Sdn Bhd, a wholly-owned subsidiary, acquired additional 1,192,250 ordinary shares of RM1.00 each, representing 9.5% equity interest in an existing subsidiary, Seginiaga Rubber Industries Sdn Bhd ("SRI"), for a total cash consideration of RM1.550 million. Following the acquisition, the Group's effective interest in SRI was 75.6% (31.1.2004: 66.1%).

The effect of the acquisition of the additional stake in SRI on the financial results of the Group for the financial period was as follows:

	31.12.2004			31.1.2004
	As a 66.1% subsidiary RM'000	**As a 75.6% subsidiary RM'000**	**Total RM'000**	**Total RM'000**
(Loss)/profit attributable to shareholders	(1,025)	(40)	(1,065)	901
Less: Group's share of net profit/(loss) had the Group not acquired the additional 9.5% interest	1,025	(61)	964	
Decrease in the Group's net profit at the end of the financial period	–	(101)	(101)	

(ii) During the financial period ended 31 December 2004, the Company acquired 6,777,000 ordinary shares of RM1.00 each in Recycle Energy Sdn Bhd ("RESB") on a piecemeal basis, representing 45.6% of its equity interests, for a total cash consideration of RM6.777 million.

Following the acquisition, the Group has obtained control to govern the financial and operating policies of RESB and therefore has accounted its investment in RESB as an investment in a subsidiary. The Group will continue to increase its interest in RESB until it reaches 51.0% shareholding.

The effect of the acquisition of RESB on the financial results of the Group for the financial period was not material.

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

PREVIOUS FINANCIAL PERIOD ENDED 31 DECEMBER 2004 (CONTINUED)

(b) Discontinuing operations

(i) On 13 September 2004, MMC Japan Limited, a wholly-owned subsidiary which has been dormant since 1994, received confirmation from the Registrar of Tokyo Legal Affairs Bureau for the dissolution of the company.

The effect of the dissolution of the subsidiary on the financial results of the Group was not material.

(ii) On 7 October 2004, D.V Research Sdn Bhd, a wholly-owned subsidiary of the Company, having an issued and paid-up share capital of RM2.00, was dissolved pursuant to Section 272(5) of the Companies Act, 1965.

The effect of the dissolution of the subsidiary on the financial results of the Group was not material.

(iii) On 26 November 2004, MMC Engineering Group Berhad, a 99.9% owned subsidiary, disposed off 70.0% equity interest in MMC Defence Sdn Bhd (“MMCD”) to become a 30.0% associate, for a cash consideration of RM2.835 million. MMCD which became an associate of the Group is involved in specialised defence engineering works and operates principally in Malaysia.

The effect of the dilution in interest on the financial results of the Group was not material.

(iv) On 27 November 2004, London Tin (Malaysia) Bhd, a wholly-owned subsidiary of the Company, having an issued and paid-up share capital of RM2.00, was dissolved pursuant to Section 272(5) of the Companies Act, 1965.

The effect of the dissolution of the subsidiary on the financial results of the Group was not material.

(c) Dilution of interest in an associate

On 22 July 2004, Integrated Rubber Corporation Berhad (“IRCB”), a 28.6% associated company, completed its restructuring exercise on its capital reduction and reconstruction, debt conversion and acquisition of Comfort Rubber Gloves Industries Sdn Bhd. Following the restructuring exercise, the Group’s effective interest in IRCB was reduced to 20.1%.

The effect of the dilution of interest in IRCB on the financial results of the Group was not material.

6 PROFIT FROM OPERATIONS

	Group		Company	
	Financial year ended 31.12.2005 RM'000	**11 months ended 31.12.2004 RM'000**	**Financial year ended 31.12.2005 RM'000**	**11 months ended 31.12.2004 RM'000**
(i) Profit from operations is stated after charging:				
Allowance for mining exploration expenditure	**172**	162	**172**	162
Auditors' remuneration	**540**	515	**61**	58
Directors' remuneration (Note 6(iii))	**4,148**	3,197	**2,884**	2,052
Depreciation	**152,318**	141,098	**1,699**	3,201
Write-off of project cost	**5,505**	5,101	**5,505**	5,101
Allowance for doubtful debts	**13,235**	23,010	**5,000**	–
Allowance for slow moving inventories	**1,018**	145	**–**	–
Realised loss on foreign exchange	**131**	108	**–**	63
Unrealised loss on foreign exchange	**333**	38	**333**	38
Impairment losses of property, plant and equipment	**3,793**	8,296	**–**	–
Provision for retirement benefit	**92**	109	**–**	–
Hire of plant and machinery	**18,046**	20,544	**–**	–
Rent of land and buildings	**15,955**	7,186	**1,173**	1,142
Impairment in costs of investment in:				
– subsidiary	**–**	–	**–**	111
– associates	**10,369**	3,626	**4,623**	431
– other investment	**–**	5,345	**–**	–
Amortisation of intangible assets	**36,287**	32,899	**–**	–
Goodwill written off	**–**	5,375	**–**	–
Allowance for doubtful debts for amount due from subsidiaries	**–**	–	**5,508**	7
Loss on disposal of a subsidiary	**–**	239	**–**	–

6 PROFIT FROM OPERATIONS (CONTINUED)

	Group		Company	
	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
(i) and crediting:				
Realised gain on foreign exchange	**2,340**	354	**22**	–
Unrealised gain on foreign exchange	**295**	311	**–**	–
Gain on disposal of property, plant and equipment	**1,465**	16,902	**–**	–
Rental income	**853**	813	**23**	55
Write back of allowance for doubtful debts	**7,548**	5,866	**–**	–
Bad debts recovered	**687**	1,050	**–**	–
Interest income	**11,252**	8,096	**5,107**	1,016
Gain on dissolution of subsidiaries	**–**	836	**–**	–
(ii) Gross dividend income is from:				
Associates:				
Quoted in Malaysia	**–**	–	**24,029**	12,564
Subsidiaries:				
Unquoted in Malaysia	**–**	–	**85,896**	118,643
Other investments:				
Quoted in Malaysia	**10,681**	23,681	**–**	–
	10,681	23,681	**109,925**	131,207

6 PROFIT FROM OPERATIONS (CONTINUED)

(iii) Directors' remuneration:

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

	Group		Company	
	Financial year ended 31.12.2005 RM'000	**11 months ended 31.12.2004 RM'000**	**Financial year ended 31.12.2005 RM'000**	**11 months ended 31.12.2004 RM'000**
Directors of the Company				
Non-executive directors:				
– fees	**696**	622	**453**	429
– other emoluments	**239**	248	**169**	169
– estimated money value of benefits-in-kind	**50**	37	**29**	18
Executive directors:				
– salaries and other emoluments	**2,375**	1,953	**1,545**	1,203
– defined contribution plan	**659**	277	**559**	187
– estimated money value of benefits-in-kind	**129**	60	**129**	46
	4,148	3,197	**2,884**	2,052

(iv) Staff costs

Wages, salaries and bonus	**113,650**	102,229	**7,478**	6,739
Defined contribution plan	**10,263**	9,425	**897**	838
Defined benefit plan	**118**	109	**–**	–
Other employee benefits	**5,963**	4,494	**–**	86
	129,994	116,257	**8,375**	7,663

7 FINANCE COST

	Group		Company	
	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
Interest on term loans	**145,315**	165,482	**27,886**	39,825
Commercial Papers	**6,084**	–	**–**	–
Bai' Bithaman Ajil Islamic Debt Securities	**6,083**	–	**–**	–
Revolving credits	**5,796**	9,299	**2,540**	2,663
Others	**2,174**	2,166	**–**	–
	165,452	176,947	**30,426**	42,488

8 TAX EXPENSE

	Group		Company	
	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
Current tax:				
– Current year/period Malaysian tax	**44,199**	3,651	**20,888**	26,317
– Over accrual in prior years (net)	**(411)**	(1,330)	**–**	(1,521)
	43,788	2,321	**20,888**	24,796
Deferred tax (Note 20):				
– Origination and reversal of temporary differences	**10,521**	19,790	**(851)**	2,462
– Over accrual in prior years	**(585)**	–	**(398)**	–
	53,724	22,111	**19,639**	27,258
Tax expense on share of profit of associates	**79,884**	75,495	**–**	–
	133,608	97,606	**19,639**	27,258

8 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	Financial year ended 31.12.2005 RM'000	**11 months ended 31.12.2004 RM'000**	**Financial year ended 31.12.2005 RM'000**	**11 months ended 31.12.2004 RM'000**
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation	**614,811**	458,910	**97,411**	86,460
Tax calculated at the Malaysia tax rate of 28% (2004: 28%)	**172,147**	128,495	**27,275**	24,209
Tax effects of:				
– expenses not deductible for tax purposes	**38,402**	24,782	**4,210**	6,060
– income exempted from tax	**(575)**	(5,479)	**(3,589)**	(1,490)
– income not subject to tax	**(58,389)**	(33,625)	**(7,859)**	–
– difference in SME tax rate of 20% and corporate tax rate of 28%	**(113)**	(149)	**–**	–
– expenses eligible for further deductions	**–**	(9)	**–**	–
– deferred tax not recognised	**(16,868)**	(15,049)	**–**	–
– others	**–**	(30)	**–**	–
Over accrual in prior years (net)	**(996)**	(1,330)	**(398)**	(1,521)
Tax expense	**133,608**	97,606	**19,639**	27,258

9 EARNINGS PER ORDINARY SHARE – GROUP

Basic earnings per share is calculated by dividing the net profit for the financial year/period by the weighted average number of ordinary shares in issue during the financial year/period.

	Group	
	Financial year ended 31.12.2005 RM'000	**11 months ended 31.12.2004 RM'000**
Net profit for the financial year/period (RM'000)	**380,888**	290,805
Weighted average number of ordinary shares in issue ('000)	**1,226,406**	1,126,613
Basic earnings per share (sen)	**31.1**	25.8
Diluted earnings per share (sen)	**31.1**	25.8

The Redeemable Convertible Subordinated Loans ("RCSL") issued by a subsidiary company as referred to in Note 31 do not have any dilutive effect on the Group's earnings per share.

10 DIVIDENDS

	Group and Company	
	Financial year ended 31.12.2005 RM'000	**11 months ended 31.12.2004 RM'000**
Ordinary:		
Final proposed:		
5 sen per share, less 28% tax (2004 – 5 sen per share, less 28% tax)	**54,811**	40,558
Special proposed:		
1 sen per share, less 28% tax (2004 – 1 sen per share, less 28% tax)	**10,962**	8,112
	65,773	48,670

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2005 of 5 sen per share, less 28% income tax and a special dividend of 1 sen per share, less 28% income tax on 1,522,529,276 ordinary shares, amounting to a dividend payable of RM65,773,265 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 December 2006.

11 PROPERTY, PLANT AND EQUIPMENT

Group Cost/valuation	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 1 January 2005									
– Cost	30,986	1,646,801	8,580	347	1,062,544	306,510	687,356	175,521	3,918,645
– Valuation	29,622	1,506	500	–	–	–	–	–	31,628
Additions	–	4,065	381	–	27,644	–	6,675	421,231	459,996
Disposals	(135)	–	–	–	(2,600)	–	–	(46)	(2,781)
Reclassification	–	3,575	270	–	56,298	–	124,632	(184,775)	–
Write off	–	–	–	–	(356)	–	–	–	(356)
Transfers	–	(3,192)	3,192	–	(127)	–	–	127	–
Acquisition of subsidiaries	–	–	–	–	132	–	–	1,192	1,324
Accumulated impairment losses	(9,112)	(654)	–	–	(3,633)	–	–	–	(13,399)
At 31 December 2005	51,361	1,652,101	12,923	347	1,139,902	306,510	818,663	413,250	4,395,057
Accumulated depreciation									
At 1 January 2005	(3,527)	(154,193)	(2,953)	–	(392,190)	(28,736)	(100,682)	–	(682,281)
Depreciation	(861)	(33,501)	(404)	–	(70,023)	(7,442)	(40,087)	–	(152,318)
Disposals	17	–	–	–	2,204	–	–	–	2,221
Write off	–	–	–	–	329	–	–	–	329
Reclassification	–	(138)	–	–	138	–	–	–	–
Transfers	–	(610)	610	–	–	–	–	–	–
At 31 December 2005	(4,371)	(188,442)	(2,747)	–	(459,542)	(36,178)	(140,769)	–	(832,049)
Net Book Value									
At 31 December 2005	46,990	1,463,659	10,176	347	680,360	270,332	677,894	413,250	3,563,008
At 31 December 2004	47,969	1,493,652	6,127	347	670,322	277,774	586,674	175,521	3,258,386

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					
Cost/valuation					
As 1 January 2005					
– Cost	**826**	**4,115**	**347**	**15,950**	**21,238**
– Valuation	**–**	**1,506**	**–**	**–**	**1,506**
Additions	**–**	**–**	**–**	**1,580**	**1,580**
At 31 December 2005	**826**	**5,621**	**347**	**17,530**	**24,324**
Accumulated depreciation					
At 1 January 2005	**–**	**(787)**	**–**	**(13,140)**	**(13,927)**
Depreciation	**–**	**(57)**	**–**	**(1,642)**	**(1,699)**
At 31 December 2005	**–**	**(844)**	**–**	**(14,782)**	**(15,626)**
Net book value					
At 31 December 2005	**826**	**4,777**	**347**	**2,748**	**8,698**
At 31 December 2004	826	4,834	347	2,810	8,817

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.

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/period would be as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Freehold properties	**16,340**	16,806	**–**	–
Long-term leasehold properties	**1,409**	1,437	**1,409**	1,437
Short-term leasehold properties	**55**	56	**–**	–
	17,804	18,299	**1,409**	1,437
Net book values of assets pledged as security for borrowings (Note 26)	**3,420,578**	3,158,255	–	–

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Shares quoted in Malaysia	**2,094**	2,094
Unquoted shares	**3,304,975**	2,546,560
	3,307,069	2,548,654
Less: Accumulated impairment losses of unquoted shares	**(12,384)**	(12,384)
	3,294,685	2,536,270
Market value of quoted investments:		
Quoted in Malaysia	**11,310**	20,525

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2005

(a) Acquisition of subsidiaries

(i) On 21 February 2005, Anglo-Oriental (Annuities) Sdn Bhd, a wholly-owned subsidiary, acquired additional 49.0% equity interest in Wangsa Struktur Sdn Bhd for a total cash consideration of RM4,900, making it a wholly-owned subsidiary.

(ii) During the financial year, the Company has acquired additional 1,653,612 ordinary shares of RM1.00 each in Recycle Energy Sdn Bhd, on a piecemeal basis, representing additional 5.4% of its equity interest for a total cash consideration of RM1.653 million. Following the acquisition, the Group's effective interest increased to 51.0%. (2004: 45.6%)

(iii) On 8 September 2005, the Company entered into a Joint Venture and Shareholders Agreement with Transfield Services (International) Pty Ltd to form MMC-Transfield Services Sdn Bhd. Following the agreement, the Company holds 51.0% equity interest in MMC-Transfield Services Sdn Bhd.

(iv) On 19 September 2005, the Company entered into a Joint Venture and Shareholders Agreement with VME Process Asia Pacific Pte Ltd to form MMC-VME Sdn Bhd. Following the agreement, the Company holds 51.0% equity interest in MMC-VME Sdn Bhd.

(v) On 4 October 2005, the Company completed the acquisition of additional 39,799,999 ordinary shares of RM1.00 each in Pelabuhan Tanjung Pelepas Sdn Bhd, representing additional 19.9% equity interest for a total purchase consideration of RM756.2 million satisfied by the issuance of 395,916,230 ordinary shares of RM0.10 each at RM1.91 per share in the Company. Following the acquisition, the Group's effective interest in PTP increased to 70.0% (2004: 50.1%).

The summary of the effects of the above acquisitions on the financial position of the Group is as follows:

	As at 31.12.2005 RM'000
Non-current assets	**448,178**
Difference between Group's share of net assets acquired and total purchase consideration	**673,146**
Current assets	**76,413**
Current liabilities	**(87,695)**
Non-current liabilities	**(457,231)**
Minority interest	**20,335**
Group's share of net assets	**673,146**

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

(a) Acquisition of subsidiaries (continued)

The fair value of the net assets acquired, goodwill and cash flow arising from the above acquisitions is as follows:

	At date of acquisitions RM'000
Non-current assets	448,178
Current assets	76,413
Current liabilities	(87,695)
Non-current liabilities	(457,231)
Group share of fair value of net assets	(20,335)
Rights on Redeemable Convertible Subordinated Loans	105,042
Difference between Group's share of net assets acquired and total purchase consideration offset against Group's reserves *	673,146
Total consideration	757,853
Satisfied by:	
Cash	1,653
Issue of ordinary shares	756,200
	757,853
Net cash outflow arising on acquisition:	
Cash consideration	1,653
Cash and cash equivalents of subsidiaries acquired	(1,653)
Cash outflow of the Group on acquisition of subsidiaries	–
Cash outflow of the Company on acquisition of subsidiaries	1,653

* The difference between Group's share of net assets acquired and total purchase consideration of RM673.146 million has been offset against the Group's non-distributable and distributable capital reserves of RM100.019 million and RM573.127 million respectively.

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

(b) Deconsolidation of subsidiaries

(i) On 22 March 2005, Southern Kinta Consolidated Limited, a wholly-owned subsidiary, received confirmation from the Companies House in United Kingdom for the dissolution of the company.

(ii) On 20 May 2005, Malaysia Diamond Manufacturers Inc., a wholly-owned subsidiary, received confirmation from the State of New York for the dissolution of the company.

(iii) On 17 June 2005, MMC (US) Inc., a wholly-owned subsidiary, received confirmation from the State of Delaware for the dissolution of the company.

(iv) On 29 July 2005, MMC Aviation Sdn Bhd, a wholly-owned subsidiary, is struck off from the register of Companies Commission of Malaysia.

The effects of the deconsolidation on the above dissolved and struck off subsidiaries on the financial position of the Group are not material.

PREVIOUS FINANCIAL PERIOD ENDED 31 DECEMBER 2004

(a) Acquisition of subsidiaries

(i) On 17 August 2004, Amalan Rantau Sdn Bhd, a wholly-owned subsidiary, acquired additional 1,192,250 ordinary shares of RM1.00 each, representing 9.5% equity interest in an existing subsidiary, Seginiaga Rubber Industries Sdn Bhd ("SRI"), for a total cash consideration of RM1.550 million. Following to the acquisition, the Group's effective interest in SRI was 75.6% (31.1.2004: 66.1%).

(ii) During the financial period ended 31 December 2004, the Company acquired 6,777,000 ordinary shares of RM1.00 each in Recycle Energy Sdn Bhd ("RESB") on a piecemeal basis, representing 45.6% of its equity interest, for a total cash consideration of RM6.777 million.

Following the acquisition, the Group has obtained control to govern the financial and operating policies of RESB and therefore has accounted for its investment in RESB as an investment in a subsidiary. The Group will continue to increase its interest in RESB until it reaches 51.0% shareholding.

The summary of the effects of the above acquisitions on the financial position of the Group was as follows:

	As at 31.12.2004 RM'000
Non-current assets	7,720
Goodwill on acquisition	2,768
Current assets	1,672
Current liabilities	(2,904)
Non-current liabilities	(929)
Minority interest	(2,431)
Group's share of net assets	5,896

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries (continued)

The fair value of the net assets acquired, goodwill and cash flow arising from the above acquisitions was as follows:-

	At date of acquisitions RM'000
Non-current assets	7,720
Current assets	1,672
Current liabilities	(2,904)
Non-current liabilities	(929)
Group's share of fair value of net assets	5,559
Goodwill on acquisition (Note 19)	2,768
Total consideration	8,327
Net cash outflow arising on acquisition:	
Cash consideration	8,327
Cash and cash equivalents of subsidiaries acquired	(204)
Cash outflow of the Group on acquisition of subsidiaries	8,123
Cash outflow of the Company on acquisition of subsidiaries	6,777

The Directors have assessed the fair value of net assets acquired to approximate the net book value and were of the opinion that the calculation of the goodwill on acquisition was fairly stated.

(b) Deconsolidation and disposal of subsidiaries

(i) On 13 September 2004, MMC Japan Limited, a wholly-owned subsidiary which has been dormant since 1994, received confirmation from the Registrar of Tokyo Legal Affairs Bureau for the dissolution of the company.

(ii) On 7 October 2004, D.V Research Sdn Bhd, a wholly-owned subsidiary having an issued and paid-up share capital of RM2.00, was dissolved pursuant to Section 272(5) of the Companies Act, 1965.

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Deconsolidation and disposal of subsidiaries (continued):

(iii) On 27 November 2004, London Tin (Malaysia) Bhd, a wholly-owned subsidiary having an issued and paid-up share capital of RM2.00, was dissolved pursuant to Section 272(5) of the Companies Act, 1965.

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

	At date of loss of control RM'000
Current liabilities	(2,836)
Net liabilities	(2,836)
Allowance on amount due from subsidiaries	2,000
Gain on deconsolidation of subsidiaries	(836)

(iv) On 26 November 2004, MMC Engineering Group Berhad, a 99.9% owned subsidiary, disposed off 70.0% equity interest in MMC Defence Sdn Bhd ("MMCD"), to become a 30.0% associate, for a cash consideration of RM2.835 million.

The net assets of subsidiary disposed were as follows:

	At date of disposal RM'000
Non-current assets	1,922
Current assets	2,710
Current liabilities	(1,535)
Non-current liabilities	(23)
Group's share of net assets	3,074
Loss on disposal	(239)
Total consideration	2,835

Net cash outflow arising on disposal:

Cash consideration	2,835
Cash and cash equivalents of subsidiary disposed	(1,709)
Cash inflow of the Group on disposal of subsidiary	1,126

13 INVESTMENTS IN ASSOCIATES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Shares quoted in Malaysia, at cost	**985,214**	995,802	**199,103**	208,032
Unquoted shares, at cost	**37,695**	59,304	**5,028**	5,027
Share of post-acquisition reserves	**511,514**	423,084	**–**	–
	1,534,423	1,478,190	**204,131**	213,059
Less: Accumulated impairment losses	**(40,351)**	(51,591)	**(11,437)**	(6,815)
	1,494,072	1,426,599	**192,694**	206,244
Represented by:				
Group's share of net assets other than goodwill	**915,605**	846,891		
Group's share of goodwill in associates' own consolidated financial statements	**242,273**	243,514		
Goodwill on acquisition	**336,194**	336,194		
	1,494,072	1,426,599		
Market value of quoted associates:				
Shares quoted in Malaysia	**2,142,696**	1,927,612	**518,824**	499,072

Details of the Group's associates are shown in Note 39.

On 21 February 2005, the Company and its wholly-owned subsidiary, Anglo-Oriental (Annuities) Sdn Bhd, disposed off 5,580,000 and 564,000 ordinary shares of RM1.00 each respectively in Malaysia Smelting Corporation Berhad, representing a total of 8.19% of its issued and paid up capital, for a total cash consideration of RM38.7 million.

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:

	Group 2005 RM'000	Group 2004 RM'000
Non-current assets	**106,492**	1,916
Current assets	**102,792**	146,210
Current liabilities	**(103,396)**	(147,028)
Net assets	**105,888**	1,098
Income	**229,086**	391,312
Expenses	**(229,296)**	(386,763)
	(210)	4,549

Details of jointly controlled entities are as follows:

Name of company	Principal activities	Proportion of ownership interest 2005 %	Proportion of ownership interest 2004 %
+ MMCE-IPCO-Murphy Joint Venture	Procurement, construction and commissioning of the Peninsular Gas Utilisation ("PGU") Loop 2 Gas Pipeline Project	**–**	33.3
+ MMCE-Franky Consortium Joint Venture	Construction and completion of Kuantan-Kertih Railway Project Civil Works Package 2	**60.0**	60.0
+ MMC-Gamuda Joint Venture	Design, engineering, procurement, construction, installation, testing and commissioning of Stormwater Management and Road Tunnel project	**50.0**	50.0
+ Projek Smart Holdings Sdn Bhd	Investment holding	**50.0**	50.0
+ Syarikat Mengurus Air Banjir dan Terowong Sdn Bhd *(A wholly-owned subsidiary of Projek Smart Holdings Sdn Bhd)*	To undertake the Stormwater Management and Road Tunnel project	**50.0**	50.0

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Details of jointly controlled entities are as follows: (continued)

Name of company	Principal activities	Proportion of ownership interest 2005 %	2004 %
+ Tepat Teknik-VME Sdn Bhd	Process engineering, detail engineering, procurement, fabrication, startup and commissioning for acid gas removal systems, hydrogen sulphide gas and mercury removal systems using membrane technology for the oil, gas industries and petrochemical industries	**34.9**	34.9

+ Audited by firms other than PricewaterhouseCoopers, Malaysia.

15 OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
At cost:				
Shares quoted outside Malaysia	**13,172**	31,546	**–**	–
Unquoted shares	**2,000**	2,000	**2,000**	2,000
	15,172	33,546	**2,000**	2,000
Less impairment losses:				
– Shares quoted outside Malaysia	**(13,172)**	(31,546)	**–**	–
– Unquoted shares	**(2,000)**	(2,000)	**(2,000)**	(2,000)
	–	–	**–**	–
Market value of quoted investments:				
– Shares quoted outside Malaysia	**1,766**	4,224		
	1,766	4,224		

The market value of quoted investment approximates its fair value.

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 (2004: RM264.5 million). The terms of the Redeemable Convertible Subordinated Loans are as disclosed in Note 31. Included in the amounts due to subsidiaries (non-current liabilities) are advances totalling RM174.0 million (2004: RM178.3 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 beyond the next twelve months 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.

	Company	
	2005	**2004**
	RM'000	**RM'000**
The currency exposure profile of the amounts due from subsidiaries is as follows:		
– Ringgit Malaysia	**461,308**	539,366
– Australian Dollar	**908**	908
	462,216	540,274
The currency exposure profile of the amounts due to subsidiaries is as follows:		
– Ringgit Malaysia	**575,372**	348,252
– Australian Dollar	**173,956**	178,286
	749,328	526,538

17 AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is denominated in Ringgit Malaysia, non-trade in nature, unsecured, interest free and is not repayable during the next twelve months except in so far as such repayments will not adversely affect the ability of the associate to meet its liabilities when due.

It is not practicable to determine the fair value of loan that does not have fixed repayment terms beyond the next twelve months and is interest free. However, the carrying amount recorded is not anticipated to be significantly in excess of their fair value at the balance sheet date.

18 OTHER ASSET

	Group and Company 2005 RM'000	Group and Company 2004 RM'000
Mining exploration expenditure, at cost	**9,918**	9,746
Impairment losses:		
At 1 January/February	**9,746**	9,584
Charge for the year/period	**172**	162
At 31 December	**9,918**	9,746
Carrying value	**–**	–

19 INTANGIBLE ASSETS

Goodwill on Consolidation

	Group 2005 RM'000	Group 2004 RM'000
Net book value		
At 1 January/February	**1,765,487**	1,800,993
Acquisition of subsidiary (Note 12)	**–**	2,768
Written off	**–**	(5,375)
Amortisation charge	**(35,980)**	(32,899)
At 31 December	**1,729,507**	1,765,487
At 31 December		
Cost	**1,836,679**	1,842,770
Written off	**–**	(5,375)
Accumulated amortisation	**(107,172)**	(71,908)
Net book value	**1,729,507**	1,765,487

19 INTANGIBLE ASSETS (CONTINUED)

Intellectual Property

	Group 2005 RM'000	Group 2004 RM'000
Net book value		
At 1 January/February	**8,000**	8,000
Accumulated amortisation	**(267)**	–
At 31 December	**7,733**	8,000

The intellectual property represents the cost of acquiring the rights to use the Refuse Derived Fuel technology which comprising technical information, copyright and patent. This expenditure is capitalised as it is able to generate future economic benefits to the Group and is amortised over the estimated useful life of the related asset of 30 years.

Development Expenditure

	Group 2005 RM'000	Group 2004 RM'000
Net book value		
At 1 January/February	**–**	–
Addition during the year/period	**533**	–
Amortisation charge	**(40)**	–
At 31 December	**493**	–

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:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax assets	**9,075**	12,607	**1,476**	227
Deferred tax liabilities:				
– subject to income tax	**(99,217)**	(92,305)	**–**	–
– subject to capital gains tax	**(273)**	(781)	**–**	–
	(99,490)	(93,086)	**–**	–
	(90,415)	(80,479)	**1,476**	227
At 1 January/February	**(80,479)**	(60,689)	**227**	2,689
(Charged)/credited to income statement (Note 8):				
– property, plant and equipment	**(3,607)**	(18,000)	**448**	382
– receivables	**(4,314)**	759	**1,542**	–
– payables	**(154)**	(205)	**–**	–
– tax losses	**(1,798)**	(2,359)	**(640)**	(2,885)
– provisions	**(175)**	(42)	**(101)**	41
– others	**112**	57	**–**	–
	(9,936)	(19,790)	**1,249**	(2,462)
At 31 December	**(90,415)**	(80,479)	**1,476**	227

20 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	**5**	96	**–**	–
Receivables	**2,856**	6,656	**1,542**	–
Payables	**198**	352	**–**	–
Tax losses	**14,885**	16,683	**–**	640
Provisions	**385**	560	**80**	181
Others	**11**	14	**–**	–
	18,340	24,361	**1,622**	821
Offsetting	**(9,265)**	(11,754)	**(146)**	(594)
Deferred tax assets (after offsetting)	**9,075**	12,607	**1,476**	227
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(106,198)**	(102,174)	**(146)**	(594)
Receivables	**(2,284)**	(1,770)	**–**	–
Others	**–**	(115)	**–**	–
	(108,482)	(104,059)	**(146)**	(594)
Offsetting	**9,265**	11,754	**146**	594
Deferred tax liabilities (after offsetting)	**(99,217)**	(92,305)	**–**	–
Subject to capital gains tax:				
Property, plant and equipment	**(273)**	(781)	**–**	–

20 DEFERRED TAXATION (CONTINUED)

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

	Group 2005 RM'000	Group 2004 RM'000
Deductible temporary differences	**82,578**	151,395
Tax losses	**280,833**	272,258
	363,411	423,653

21 INVENTORIES

	Group 2005 RM'000	Group 2004 RM'000
At cost:		
Spares, consumables and container repair materials	**21,990**	18,314
Raw materials	**2,551**	3,397
Work-in-progress	**3,031**	5,887
Manufactured inventories	**2,850**	3,926
	30,422	31,524
At net realisable value:		
Raw materials	**31**	–
Manufactured inventories	**611**	495
	31,064	32,019

Inventories of the Group of RM21.520 million (2004: RM17.853 million) comprising spare parts, consumables and container repair materials are pledged as security for borrowings as referred to in Note 26.

22 TRADE AND OTHER RECEIVABLES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Trade receivables	**330,391**	224,475	**26,943**	8,555
Less: Allowance for doubtful debts	**(31,852)**	(42,553)	**(8)**	(8)
	298,539	181,922	**26,935**	8,547
Other receivables	**29,941**	71,476	**10,401**	33,060
Less: Allowance for doubtful debts	**(1,687)**	(1,388)	**–**	–
	28,254	70,088	**10,401**	33,060
Deposits	**8,779**	8,210	**1,271**	1,558
Prepayments	**8,372**	12,273	**–**	195
	45,405	90,571	**11,672**	34,813
Contract advances	**1,521**	1,361	**–**	–
Amount due from contract customers (Note 34)	**23,082**	14,483	**–**	–
Amounts due from associates (Note 17)	**2,406**	10,379	**2,394**	2,093
Less: Allowance for doubtful debts	**(1,613)**	(1,105)	**(1,613)**	(1,105)
	793	9,274	**781**	988
Amounts due from jointly controlled entities	**46**	86,525	**46**	50,152
	369,386	384,136	**39,434**	94,500

Included in trade receivables of the Group is compensation receivable from the Government of Malaysia amounting to RM38.4 million (2004: RM6.3 million) for loss of toll collections pursuant to a Concession Agreement entered into by a subsidiary with the Government of Malaysia.

Included in other receivables of the Group are permanent resettlement costs of RM3.046 million (2004: RM3.083 million) of which RM0.022 million (2004: RM18.197 million) have been reclassified from property, plant and equipment (Note 11). These costs are recoverable from the sale of the permanent resettlement houses.

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**
The currency exposure profile of trade receivables are as follows:				
– Ringgit Malaysia	**286,859**	165,992	**23,706**	–
– US Dollar	**5,672**	13,411	**3,229**	8,547
– Australian Dollar	**5,850**	2,434	**–**	–
– Others	**158**	85	**–**	–
	298,539	181,922	**26,935**	8,547

Credit terms of trade receivables of the Group and Company vary from 30 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, interest-free, have no fixed terms of repayment and denominated in Ringgit Malaysia.

23 AMOUNT DUE FROM HOLDING COMPANY

	Group and Company	
	2005	**2004**
	RM'000	**RM'000**
Amount due from holding company	**40,780**	15,780

The amount due from holding company are non-trade in nature, unsecured, interest free has no fixed terms of repayment and denominated in Ringgit Malaysia.

Included in the above amount is an amount of RM25.0 million (2004: Nil) representing a deposit paid to the holding company in relation to a proposed acquisition of 51.74% equity interest in Johor Port Berhad as disclosed in Note 40(f).

24 MARKETABLE SECURITIES

	Group 2005 RM'000	Group 2004 RM'000
Shares in a corporation quoted in Malaysia	**85,185**	188,863
Market value:		
– quoted in Malaysia	**252,655**	546,492

25 DEPOSITS, BANK AND CASH BALANCES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Deposits are placed with:				
Licensed banks	**276,783**	156,876	**69,911**	26,675
Finance companies	**19,784**	105,378	**17,339**	3,010
Other financial institutions	**113,363**	61,466	**86,857**	10,787
	409,930	323,720	**174,107**	40,472
Cash and bank balances	**37,579**	38,724	**1,197**	198
	447,509	362,444	**175,304**	40,670
The currency exposure profile of the deposits, bank and cash balances are as follows:				
– Ringgit Malaysia	**434,962**	350,825	**163,466**	29,699
– US Dollar	**162**	40	**162**	40
– Australian Dollar	**11,743**	10,902	**11,034**	10,254
– Pound Sterling	**642**	677	**642**	677
	447,509	362,444	**175,304**	40,670

25 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

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

	Group		Company	
	2005 % per annum	**2004 % per annum**	**2005 % per annum**	**2004 % per annum**
Deposits placed with:				
Licensed banks	**2.87**	2.80	**3.35**	3.23
Finance companies	**2.90**	2.78	**2.90**	3.00
Other financial institutions	**2.91**	2.46	**2.98**	2.91

Deposits of the Group and Company have an average maturity of 30 days (2004: 30 days). Bank balances are deposits held at call with banks.

26 BORROWINGS (INTEREST BEARING)

		Group		Company	
		2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Current					
US Dollar term loans	– secured	**29,047**	22,592	**–**	–
Al-Murabahah Commercial Papers	– secured	**200,000**	199,556	**–**	–
Term loans	– secured	**174,659**	153,399	**–**	–
Multi-option line	– secured	**50,268**	27,813	**–**	–
	– unsecured	**93,416**	109,632	**65,000**	65,000
Syndicated term loan	– secured	**–**	31,489	**–**	–
		547,390	544,481	**65,000**	65,000

26 BORROWINGS (INTEREST BEARING) (CONTINUED)

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Non-current				
US Dollar term loans – secured	**16,137**	45,185	**–**	–
Term loans – secured	**2,320,525**	2,603,072	**546,003**	784,687
Bai' Bithaman Ajil ("BBA") Islamic Debt Securities – secured	**174,731**	–	**–**	–
Syndicated term loan – secured	**–**	71,576	**–**	–
	2,511,393	2,719,833	**546,003**	784,687
Total	**3,058,783**	3,264,314	**611,003**	849,687
The currency exposure profile of the borrowings is as follows:				
– Ringgit Malaysia	**3,013,599**	3,196,537	**611,003**	849,687
– US Dollar	**45,184**	67,777	**–**	–
	3,058,783	3,264,314	**611,003**	849,687
Fair values of term loans are as follows:				
– US Dollar term loans	**46,064**	68,568	**–**	–
– Term loans	**2,347,685**	2,731,685	**649,685**	849,685

(i) The USD long-term loan of the Group of USD63 million was arranged with the Japan Bank for International Cooperation and drawndown 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% (2004: 6.1%) per annum and is secured by way of a debenture over all assets of a subsidiary company.

26 BORROWINGS (INTEREST BEARING) (CONTINUED)

(ii) The RM200 million Al-Murabahah Commercial Papers/Medium-Term Notes Programme and RM500 million Al-Murabahah Medium-Term Notes Issuance Programme have a tenure of up to 7 years and 10 years from the date of first issuance of the programme respectively. The programme shall be secured and supported by a charge over a designated account to be opened by the Group and a negative pledge over the assets of a subsidiary company. These facilities contain covenants which require a subsidiary to maintain a minimum debt service coverage and have limits on debt to capital ratios. As at 31 December 2005, RM200 million has been drawndown.

(iii) Bank overdrafts of a subsidiary are secured by an "all monies" debentures of RM5.3 million (2004: 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 are approximately RM4.7 million (2004: RM3.9 million) and RM9.1 million (2004: RM9.1 million) respectively.

(iv) Interests on loans of a subsidiary are charged at a fixed rate which ranges from 5% to 6% per annum. Two of the bank loans will be charged at a rate of 1.5% above the effective cost of funds of the lender from November 2010 onwards.

The bank loans are repayable in equal semi-annual instalments ranging from 14 to 26 instalments.

The bank loans are secured by:

(i) a fixed and floating charge by way of debenture over all the assets and undertaking of a subsidiary company amounting to approximately RM2.58 billion (2004: RM2.46 billion).

(ii) a charge on the specific Designated Accounts and all monies standing to the credit of a subsidiary company.

(iii) assignment of certain rights and benefits of a subsidiary company.

The Employees Provident Fund Board loans are repayable in 13 annual instalments of 2.5% of the principal repayable and a final bullet repayment.

(v) The syndicated term loan was secured by a fixed and floating charge over all assets of a subsidiary company amounted to RM320.9 million as at 31 December 2004 and assignment of relevant contracts of that subsidiary. However, the loan has been settled during the financial year.

(vi) Pursuant to a Trust Deed between a subsidiary, Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd and Malaysian Trustees Berhad dated on 5 July 2005, the subsidiary has issued RM247.0 million secured Primary Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") based on the Islamic financing principle of Bai' Bithaman Ajil. The Primary BaIDS comprise 25 series, with total proceeds of RM173.2 million and redemption value of RM247.0 million, with maturities ranging from one year to 17 years from date of issuance.

26 BORROWINGS (INTEREST BEARING) (CONTINUED)

(vi) Attached to the Primary BaIDS are non-detachable secondary BaIDS which represent the profit element attributable to the Primary BaIDS. The profit rate is 4.0% per annum and the profit is payable semi-annually on each series of the Primary BaIDS. The secondary BaIDS have a face value of RM119.5 million.

The Primary BaIDS are secured by debenture incorporating fixed and floating charges over the subsidiary company's entire assets.

(vii) The term loans of the Company are secured by certain assets of the Company and a subsidiary company. Interest rates on all the term loans of the Company are at floating rates between 1% – 1.25% over cost of funds of lenders and fixed rate of 6.65% per annum. The tenure of the loans ranges from 3 – 6 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% – 1.0% above the cost of funds of the lender.

Analysis of repayment schedule:

	Group		Company	
	2005 RM'000	**2004 RM'000**	**2005 RM'000**	**2004 RM'000**
Within 1 year	**547,390**	544,481	**65,000**	65,000
From 1 to 2 years	**200,796**	238,337	**–**	–
From 2 to 5 years	**659,178**	577,061	**–**	–
After 5 years	**1,651,419**	1,904,435	**546,003**	784,687
	3,058,783	3,264,314	**611,003**	849,687

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

	Group		Company	
	2005 % per annum	**2004 % per annum**	**2005 % per annum**	**2004 % per annum**
US Dollar term loan	**6.10**	6.10	**–**	–
Term loans	**5.56**	5.58	**5.03**	5.50
Multi-option line	**4.09**	4.00	**4.35**	3.90
Al-Murabahah Commercial Papers (profit rate)	**2.74**	2.76	**–**	–
BBA Islamic Debt Securities (profit rate)	**4.00**	–	**–**	–

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	**184,323**	165,483	**–**	3,960
Other payables	**133,648**	114,185	**25,699**	20,248
Accruals	**83,293**	62,819	**1,393**	1,679
Advances received on contracts (Note 34)	**1,521**	–	**–**	–
Amount due to contract customers (Note 34)	**8,158**	6,288	**–**	–
Provision for retirement benefits (Note 27(a))	**217**	326	**–**	–
	411,160	349,101	**27,092**	25,887
The currency exposure profile of the trade payables is as follows:				
– Ringgit Malaysia	**180,387**	161,431	**–**	3,960
– US Dollar	**2,111**	3,265	**–**	–
– Others	**1,825**	787	**–**	–
	184,323	165,483	**–**	3,960

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

(a) Provision for retirement benefits

	Group	
	2005 RM'000	2004 RM'000
At 1 January/February	**1,017**	1,054
Charged to income statement	**92**	109
Utilised during the financial year/period	**(216)**	(146)
At 31 December	**893**	1,017
Analysed as:		
Current	**217**	326
Non-current	**676**	691
	893	1,017

27 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Provision for retirement benefits (Continued)

	Group 2005 RM'000	Group 2004 RM'000
Non-current		
Present value of funded obligations	**1,017**	1,023

A subsidiary of the Group manages 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 out on 1 January 2005 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 sheets may be analysed as follows:

	Group 2005 RM'000	Group 2004 RM'000
Present value of funded obligations	**1,017**	1,023
Unrealised actuarial losses	**(124)**	(6)
Net liability recognised in the balance sheet	**893**	1,017

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

	Group Financial year ended 31.12.2005 RM'000	Group 11 months ended 31.12.2004 RM'000
Current service cost	**56**	40
Interest cost	**36**	69
Expense recognised in the income statement	**92**	109

27 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2005 %	2004 %
Discount rate	**7.0**	7.0
Interest cost	**5.0**	5.0

28 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2005 ’000	2004 ’000	2005 RM’000	2004 RM’000
Authorised:				
Ordinary shares of RM0.10 each:				
At 31 December	**2,000,000**	2,000,000	**200,000**	200,000
Issued and fully paid:				
Ordinary shares of RM0.10 each:				
At 1 January/February	**1,126,613**	1,126,613	**112,661**	112,661
Issued during the financial year/period:				
– Increase in equity interest in existing subsidiary	**395,916**	–	**39,592**	–
At 31 December	**1,522,529**	1,126,613	**152,253**	112,661

On 4 October 2005, the Company issued 395,916,230 new ordinary shares of RM0.10 each at an issue price of RM1.91 per ordinary share to Seaport Terminal (Johore) Sdn Bhd as a settlement of purchase consideration for the acquisition of additional 39,799,999 ordinary shares of RM1.00 each in Pelabuhan Tanjung Pelepas Sdn Bhd. These new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

29 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 RM24.6 million (2004: RM22.2 million) to frank the payment of dividend out of the distributable reserves of the Company as at 31 December 2005. The extent of distributable reserves not covered at that date amounted to RM385.2 million (2004: RM451.1 million).

30 MINORITY INTERESTS

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

31 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS

The Redeemable Convertible Subordinated Loans ("RCSL") are issued by a subsidiary company and issued to the shareholders of the subsidiary, as follows:

	Group	
	2005 RM'000	**2004 RM'000**
Unsecured		
Company	**369,494**	264,452
Other corporate shareholders	**158,355**	263,397
Total RCSL issued	**527,849**	527,849

Details of the Redeemable Convertible Subordinated Loans are as follows:

(i) The RCSL are subordinated to the prior repayment of the term loans of the subsidiary 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.

(iii) The holders of the RCSL have agreed to grant a maratorium on interest of 5% per annum for a period of 48 months commencing from 1 January 2003 until 31 December 2006.

(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.

31 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS (CONTINUED)

The RCSL is a compound instrument that contains both a liability and an equity element. However, as allowed in the transitional provisions under Paragraph 107 of FRS 132 (formerly known as MASB 24) Financial Instruments: Disclosure and Presentation, the liability and equity elements of the RCSL are not classified separately as it was issued prior to 1 January 2003. The RSCL is denominated in Ringgit Malaysia.

32 REDEEMABLE PREFERENCE SHARES

	Group	
	2005 RM'000	2004 RM'000
Redeemable Preference Shares of RM0.01 each:		
At beginning of year	–	–
Issued and paid up during the year	670	–
At end of year	670	–
Premium on Redeemable Preference Shares:		
At beginning of year	–	–
Issued and paid up during the year	66,330	–
At end of year	66,330	–
Classified as liabilities	67,000	–

During the financial year, a subsidiary has issued 670,000 out of 114,051,351 Redeemable Preference Shares ("RPS") of RM0.01 each at an issue price of RM1.00 each.

32 REDEEMABLE PREFERENCE SHARES (CONTINUED)

Details of the Redeemable Preference Shares are as follows:

(i) The RPS shall be fully redeemable in five equal instalments at the total amount of RM114.1 million to be payable on 30th September of every year starting from 30 September 2013 to 30 September 2017.

(ii) The holders of RPS shall have the right to receive a fixed cumulative preferential dividend of RM50.0 million for all the RPS based on par value of RM0.01 per share and which shall be payable in 3 equal instalments to be payable on 30 September 2018, 30 September 2019 and 30 September 2020.

(iii) The RPS shall not confer any voting right except where the rights of the RPS are affected.

(iv) In the event of liquidation, the holders of the RPS shall rank pari passu with the holders of ordinary shares and shall rank in priority to the other holders of preference shares, save for the Special Share, in respect of any distribution or repayment of capital.

33 DEFERRED INCOME

	Group	
	2005 RM'000	**2004 RM'000**
Advance government compensation received	**60,589**	–
Advance government compensation recognised as income during the financial year	**(2,885)**	–
Deferred income	**57,704**	–
Analysed as:		
Deferred income realisable within 12 months	**2,780**	–
Deferred income realisable after 12 months	**54,924**	–
	57,704	–

According to the Concession Agreement entered into by a subsidiary company with the Government of Malaysia ("the Government"), the Government reserves the right to restructure or to restrict the imposition of toll rate increase by the subsidiary. The Government shall compensate the subsidiary for any reduction in toll revenue as consequence of such a restructure or restriction imposed, subject to negotiation and other consideration that the Government may deem fit.

As disclosed in Note 40(c), the Government has agreed to compensate the subsidiary company an amount of RM60.59 million for losses in toll collections as a consequence of the toll restructuring exercise. Such compensation is initially recorded as deferred income and subsequently recognised as revenue over the remaining concession period on the basis as stated in accounting policy Note (T)(v).

34 CONSTRUCTION CONTRACTS

	Group 2005 RM'000	Group 2004 RM'000
Aggregate costs incurred and recognised profits (less losses) to date	**481,149**	309,375
Progress billings	**(466,225)**	(301,180)
	14,924	8,195
Amount due from contract customers (Note 22)	**23,082**	14,483
Amount due to contract customers (Note 27)	**(8,158)**	(6,288)
	14,924	8,195
Advances received on contracts (Note 27)	**1,521**	–
Retentions on contracts	**11,827**	9,660

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

	Group Financial year ended 31.12.2005 RM'000	Group 11 months ended 31.12.2004 RM'000
Office rental	**67**	66
Depreciation of property, plant and equipment	**335**	180
Hire of plant and machinery	**1,630**	750
Staff cost	**9,868**	7,261
Staff cost consists of the following:		
Salaries, wages and bonus	**8,715**	6,342
Defined contribution plan	**997**	710
Other employee benefits	**156**	209
	9,868	7,261

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

35 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.

(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
2005					
Revenue					
Total	544,236	1,069,589	399,883	41,788	2,055,496
Inter-segment	–	(21,971)	(103,882)	(516)	(126,369)
External	544,236	1,047,618	296,001	41,272	1,929,127
Results					
Segment profit/(loss)	204,673	162,929	38,093	(37,390)	368,305
Gain on disposal of investments					195,193
Interest income					11,252
Finance costs					(165,452)
Share of results of associates	–	172,237	44,667	25,106	242,010
Share of results of jointly controlled entities	–	–	(210)	–	(210)
Amortisation of intangible assets					(36,287)
Profit before taxation					614,811
Taxation					
– Company and subsidiaries					(53,724)
– associates					(79,884)
Profit after taxation					481,203
Minority interest					(100,315)
Net profit for the financial year					380,888

35 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
2005					
Other information					
Segment assets	4,474,322	1,061,627	138,335	292,184	5,966,468
Associates	–	1,127,976	261,849	104,247	1,494,072
Interest-bearing instruments	194,353	66,528	3,813	182,815	447,509
Total assets					7,908,049
Segment liabilities	223,474	275,285	30,550	59,573	588,882
Interest-bearing instruments	2,308,966	336,531	18,039	620,602	3,284,138
Total liabilities					3,873,020
Other disclosures					
Capital expenditure	223,144	232,929	471	3,452	459,996
Depreciation	95,614	48,940	725	7,039	152,318
Impairment loss	–	–	–	3,793	3,793

35 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					
Revenue					
Total	490,055	676,506	256,433	51,907	1,474,901
Inter-segment	–	(15,493)	(80,810)	(123)	(96,426)
External	490,055	661,013	175,623	51,784	1,378,475
Results					
Segment profit/(loss)	199,593	98,963	16,373	(9,705)	305,224
Gain on disposal of investments					108,018
Interest income					8,096
Finance costs					(176,947)
Share of results of associates	–	165,233	39,367	43,644	248,244
Share of results of jointly controlled entities	–	–	4,549	–	4,549
Amortisation of goodwill					(32,899)
Goodwill written off					(5,375)
Profit before taxation					458,910
Taxation					
– Company and subsidiaries					(22,111)
– associates					(75,495)
Profit after taxation					361,304
Minority interest					(70,499)
Net profit for the financial period					290,805

35 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					
Other information					
Segment assets	4,352,145	851,642	20,546	471,924	5,696,257
Associates	–	1,053,976	244,847	127,776	1,426,599
Interest-bearing instruments	218,469	89,589	3,816	50,570	362,444
Total assets					7,485,300
Segment liabilities	125,898	227,181	28,608	71,257	452,944
Interest-bearing instruments	2,338,247	311,965	16,213	861,286	3,527,711
Total liabilities					3,980,655
Other disclosures					
Capital expenditure	120,480	145,779	410	4,276	270,945
Depreciation	96,134	35,985	582	8,397	141,098
Impairment loss	–	–	–	8,296	8,296

(b) Secondary reporting format – Geographical segments:

The Group's operations are principally based in Malaysia. The foreign-based entities' revenue, results, assets and liabilities in comparison to the Group's figures are negligible. Accordingly, no segmental information based on geographical segment is disclosed.

36 SIGNIFICANT CONTINGENT LIABILITIES – UNSECURED

(a) In 1999, a joint venture involving MMC Engineering Services Sdn Bhd ("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 Directors are of the view, based on the legal advice from their solicitors, that there is a fair chance of success in the arbitration proceedings.

(b) The Australian tax authority has issued notices of assessment to the Company, and certain of its subsidiaries and associates, namely Anglo-Oriental (Nominees) Australia Pty Ltd ('AONA'), Anglo-Oriental (Annuities) Sdn Bhd ('AOA'), Tronoh Consolidated Malaysia Berhad ('Tronoh') and Golden Solitaire (Australia) B.V. ('GSA'), indicating that the Company and its respective subsidiaries and associates have been assessed to tax assessment of AUD136.7 million, penalties of AUD1.6 million and a general interest charge liability (as at the date of the notices of assessment) of AUD61.7 million in aggregate, in respect of the disposal of shares in Australian entities in 1998, 2000 and 2001 income years and an interest free loan made by AONA to the Company in 2001 income year.

Appeals have been lodged with the Federal Court against the Australian tax authority's decisions.

The Directors are of the view, based on advice by legal counsel, that no provision needs to be made in the financial statements.

(c) Jurutera Perunding Daya Sdn Bhd and Pengurusan Projek Daya Sdn Bhd (collectively known as "Daya Group") have instituted legal proceedings against the Company and a subsidiary, Projek Lebuhraya Timur Sdn Bhd ("Pelita") for, among others, payment of RM49.9 million for alleged work undertaken, in respect of the privatization of the East Coast Expressway.

The Directors are of the view, based on advice by the solicitors acting for the Company and Pelita, that the Company and Pelita have good chances of defending the aforesaid claim by the Daya Group.

36 SIGNIFICANT CONTINGENT LIABILITIES – UNSECURED (CONTINUED)

(d) At 31 December 2005, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank guarantees issued to third parties for performance by:				
– Subsidiaries	**39,333**	23,133	**3,820**	4,744

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

(e) 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.

There were no other material contingent liabilities, litigations or guarantees other than those arising in the ordinary course of the business of the Group and Company and the Directors are of the opinion that their outcome will not have a material adverse effect on the financial positions of the Group and Company.

37 COMMITMENTS

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

		Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(a)	Capital commitments: Property, plant and equipment				
	Authorised but not contracted for	**208,908**	443,568	**2,416**	298
	Contracted but not provided for in the financial statements	**339,996**	386,733	**–**	–
	Total	**548,904**	830,301	**2,416**	298

37 COMMITMENTS (CONTINUED)

(b) Non-cancellable operating lease commitments

	Group 2005 RM'000	2004 RM'000
(i) For computer hardware		
Not later than 1 year	**–**	835
	–	835
(ii) For the port area		
Not later than 1 year	**10,000**	25,701
Later than 1 year and not later than 5 years	**40,000**	107,943
Later than 5 years	**140,000**	552,307
	190,000	685,951
(iii) For rental of office building and equipment		
Not later than 1 year	**1,538**	1,496
Later than 1 year and not later than 5 years	**5,404**	1,288
	6,942	2,784
Total	**196,942**	689,570

38 SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Group		Company	
	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000	Financial year ended 31.12.2005 RM'000	11 months ended 31.12.2004 RM'000
Transactions				
Substantial shareholder:				
Skim Amanah Saham Bumiputra/				
Permodalan Nasional Berhad Group				
Rental expense	**1,498**	1,358	**–**	–
Subsidiary of Johor Port Berhad, which is a subsidiary of the holding company, Seaport Terminal (Johore) Sdn Bhd:				
JP Logistics Sdn Bhd				
Rental expense of prime mover	**5,860**	7,850	**–**	–
Professional fees charged by companies related to a Director	**269**	–	**245**	–

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

39 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	Issued and paid-up capital at 31.12.2005	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
Anglo-Oriental (Annuities) Sdn Bhd	Malaysia	572,642,318 shares of RM1.00 each	**100.0**	100.0	Investment holding
Anglo-Oriental (Malaya) Sdn Bhd	Malaysia	2,142,857 shares of RM1.00 each	**100.0**	100.0	Property and investment holding
Anglo-Oriental (Malaya)Trustees Sdn Bhd	Malaysia	857 shares of RM1.00 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 Lebuh Raya Butterworth – Kulim (KLBK) Sdn Bhd	Malaysia	5,000,000 shares of RM1.00 each	**100.0**	100.0	Construction and operation of privatised highway
Labohan Dagang Galian Sdn Bhd	Malaysia	2 shares of RM1.00 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 representative office of MMC

39 COMPANIES IN THE GROUP (CONTINUED)

SUBSIDIARIES (continued)

Name of company	Country of incorporation	Issued and paid-up capital at 31.12.2005	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
Pernas Charter Management Sdn Bhd	Malaysia	1,000,000 shares of RM1.00 each	**100.0**	100.0	Mine management
Pesiaran Properties Sdn Bhd	Malaysia	2 shares of RM1.00 each	**100.0**	100.0	Property investment
Timah Dermawan Sdn Bhd	Malaysia	10,000,000 shares of RM1.00 each	**51.8**	51.8	Tin mining operations (winding down)
Timah Securities Berhad	Malaysia	470,000 shares of RM1.00 each	**100.0**	100.0	Property investment
Tronoh Holdings (Selangor) Sdn Bhd	Malaysia	451,000 shares of RM1.00 each	**100.0**	100.0	Property investment
MMC Engineering Group Berhad	Malaysia	31,630,893 shares of RM1.00 each	**99.9**	99.9	Investment holding in engineering, construction and manufacturing
MMC Engineering & Construction Sdn Bhd	Malaysia	2,000,000 shares of RM1.00 each	**99.9**	99.9	Civil engineering construction works
MMC Engineering Services Sdn Bhd	Malaysia	35,000,000 shares of RM1.00 each	**99.9**	99.9	Specialised engineering construction works
MMC Oil & Gas Engineering Sdn Bhd	Malaysia	500,002 shares of RM1.00 each	**99.9**	99.9	Specialised engineering design services

39 COMPANIES IN THE GROUP (CONTINUED)

SUBSIDIARIES (continued)

Name of company	Country of incorporation	Issued and paid-up capital at 31.12.2005	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
MMC Power Sdn Bhd	Malaysia	100,000 shares of RM1.00 each	**99.9**	99.9	Erection of power transmission lines and installation of electrical and gas system
MMC Transport Engineering Sdn Bhd	Malaysia	2 shares of RM1.00 each	**99.9**	99.9	Specialised engineering works
MMC-GTM Bina Sama Sdn Bhd	Malaysia	5,000,000 shares of RM1.00 each	**99.9**	99.9	Highway construction
MMC Shapadu (Holdings) Sdn Bhd	Malaysia	25,255,000 shares of RM1.00 each	**76.0**	76.0	Investment holding
MMC Metal Industries Sdn Bhd	Malaysia	9,720,000 shares of RM1.00 each	**75.7**	75.7	Manufacture and sale of steel castings
Pelepas-Brigantine Container Services Sdn Bhd *(a 70% owned subsidiary holds 70% of this company)*	Malaysia	50,000 shares of RM1.00 each	**49.0**	35.1	Repair, prepare and trade of containers, containerisation system and other related works
Tepat Teknik Sdn Bhd	Malaysia	6,645,000 shares of RM1.00 each	**69.9**	69.9	Construction and fabrication
Tepat Teknik (Kejuruteraan) Sdn Bhd	Malaysia	100,000 shares of RM1.00 each	**69.9**	69.9	Construction and fabrication

39 COMPANIES IN THE GROUP (CONTINUED)

SUBSIDIARIES (continued)

Name of company	Country of incorporation	Issued and paid-up capital at 31.12.2005	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
Seginiaga Rubber Industries Sdn Bhd	Malaysia	12,550,002 shares of RM1.00 each	**75.6**	75.6	Manufacture of weather strips
++Kramat Tin Dredging Berhad	Malaysia	3,960,000 shares of RM1.00 each	**52.9**	52.9	Tin mining operations (under restructuring)
MMI Precision Sdn Bhd	Malaysia	500,000 shares of RM1.00 each	**75.7**	75.7	Manufacture and sale of precision castings
Pelabuhan Tanjung Pelepas Sdn Bhd	Malaysia	200,000,000 shares of RM1.00 each	**70.0**	50.1	Port operations
Gas Malaysia Sdn Bhd *(a 76% owned subsidiary holds 55% of this company)*	Malaysia	42,800 shares of RM1,000.00 each	**41.8**	41.8	Construction and operation of natural gas distribution system
Pelantar Teknik (M) Sdn Bhd *(a 76% owned subsidiary holds 55% of this company)*	Malaysia	5,000 shares of RM1.00 each	**41.8**	41.8	Property holding
Gas Malaysia (LPG) Sdn Bhd *(a 76% owned subsidiary holds 55% of this company)*	Malaysia	10,000,000 shares of RM1.00 each	**41.8**	41.8	Supply of liquefied petroleum gas via reticulation system
Recycle Energy Sdn Bhd	Malaysia	16,530,712 shares of RM1.00 each	**51.0**	45.6	Conversion of municipal solid waste to energy

39 COMPANIES IN THE GROUP (CONTINUED)

SUBSIDIARIES (continued)

Name of company	Country of incorporation	Issued and paid-up capital at 31.12.2005	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
MMC-Transfield Services Sdn Bhd	Malaysia	1,000,000 shares of RM1.00 each	**51.0**	–	Asset management operations and maintenance services
MMC-VME Sdn Bhd *(formerly known as Delta Nexus (M) Sdn Bhd)*	Malaysia	100,000 shares of RM1.00 each	**51.0**	–	Natural gas separation works

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

* Audited by firms other than PricewaterhouseCoopers, Malaysia
++ Quoted companies

ASSOCIATES

Name of company	Country of incorporation	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
++ * Integrated Rubber Corporation Berhad	Malaysia	**20.1**	20.1	Manufacture and trading of natural rubber latex gloves
++/* Malakoff Berhad	Malaysia	**22.1**	22.3	Power generation
++ * Malaysia Smelting Corporation Berhad	Malaysia	**30.0**	38.2	Tin smelting
++ Tronoh Consolidated Malaysia Berhad	Malaysia	**39.2**	39.2	Investment holding, civil engineering and construction of power plant and buildings
MMC Metrail Sdn Bhd	Malaysia	**19.9**	19.9	Design and build public light rail system

39 COMPANIES IN THE GROUP (CONTINUED)

	Name of company	Country of incorporation	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
*	M.O.S.T. Power JV Sdn Bhd	Malaysia	**22.2**	22.2	Erection of power transmission lines
*	Golden Solitaire (Australia) B.V. *(a 39.2% owned associate holds 66.7% and a 100% subsidiary holds 33.3% of this company)*	Netherlands	**59.5**	59.5	Investment holding
	MMC Defence Sdn Bhd	Malaysia	**29.9**	29.9	Specialised defence engineering works

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

* Audited by firms other than PricewaterhouseCoopers, Malaysia
++ Quoted companies

Principal investments (shown as part of other investments)

	Name of company	Country of incorporation	Group's effective interest 2005 %	Group's effective interest 2004 %	Principal activities
++	Sime Darby Berhad	Malaysia	**1.7**	3.8	Plantations, trading, manufacturing and property development
	City View Energy Corporation Limited	Australia	**–**	12.3	Investment holding with interest in the oil and gas industry
	Suasa Unik (M) Sdn Bhd	Malaysia	**19.6**	19.6	Manufacture of ductile iron pipes

The key to the symbol used against the principal investments is as follows:

++ Quoted company

39 COMPANIES IN THE GROUP (CONTINUED)

INACTIVE SUBSIDIARIES

	Name of company	Country of incorporation	Group's effective interest 2005 %	Group's effective interest 2004 %
	Amalan Rantau (M) Sdn Bhd	Malaysia	**100.0**	100.0
	Anglo-Oriental Nominees Sdn Bhd	Malaysia	**100.0**	100.0
*	Anglo-Oriental do Brasil Ltda	Brazil	**100.0**	100.0
	Bidor Malaya Tin Sdn Bhd	Malaysia	**100.0**	100.0
	Dana Vision Sdn Bhd	Malaysia	**100.0**	100.0
@*	Malaysia Diamond Manufacturers, Inc	USA	**–**	100.0
@	MMC Aviation Sdn Bhd	Malaysia	**–**	100.0
*	MMC Belgium NV *(in voluntary liquidation)*	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) Pte Ltd	Samoa	**100.0**	100.0
	MMC Frigstad Offshore Sdn Bhd	Malaysia	**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
	MMC Utilities Berhad	Malaysia	**100.0**	100.0
	MMC-LDAH Concrete Sdn Bhd *(under creditors' liquidation)*	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
	Southern Kinta Consolidated (M) Berhad	Malaysia	**100.0**	100.0
	Southern Malayan Tin Dredging (M) Berhad	Malaysia	**100.0**	100.0
	MMC Gamuda Joint Venture Sdn Bhd	Malaysia	**100.0**	100.0
	Alam Dergahayu (Johor) Sdn Bhd *(in voluntary liquidation)*	Malaysia	**99.9**	99.9
	Eastern Waste Management Sdn Bhd *(in voluntary liquidation)*	Malaysia	**99.9**	99.9
*	MMC EG Co. Ltd	Mongolia	**90.0**	90.0
	MMI Foundry Sdn Bhd	Malaysia	**75.7**	75.7
*	Tepat Teknik (Labuan) Ltd	Malaysia	**69.9**	69.9
	Tepat Teknik (Sarawak) Sdn Bhd	Malaysia	**69.9**	69.9
	Prentis Sdn Bhd *(formerly known as Wangsa Struktur Sdn Bhd)*	Malaysia	**100.0**	65.0

39 COMPANIES IN THE GROUP (CONTINUED)

INACTIVE ASSOCIATES

	Name of company	Country of incorporation	Group's effective interest 2005 %	2004 %
*	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
*	MMC Pipe and Fittings Sdn Bhd	Malaysia	**50.0**	50.0
	Kuala Langat Mining Sdn Bhd	Malaysia	**–**	32.6
	Associated Mines (Malaya) Sdn Bhd *(in voluntary liquidation)* *(a 39.2% owned associate holds 51.0% and MMC Corporation Berhad holds 49.0% of this company)*	Malaysia	**68.9**	68.9
*	Tepat Teknik-VME Sdn Bhd	Malaysia	**34.9**	34.9

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

* Audited by firms other than PricewaterhouseCoopers, Malaysia
@ Liquidated/dissolved during the financial year

40 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 7 January 2005, Anglo-Oriental (Annuities) Sdn Bhd, a wholly-owned subsidiary, disposed off 50,000,000 ordinary shares of RM0.50 each in Sime Darby Berhad, representing 2.12% of the equity interest in Sime Darby Berhad for a total cash consideration of RM285.0 million resulting in a gain of RM178.4 million.

(b) On 21 February 2005, the Company and its wholly-owned subsidiary, Anglo-Oriental (Annuities) Sdn Bhd, disposed off 5,580,000 and 564,000 ordinary shares of RM1.00 each in Malaysia Smelting Corporation Berhad, a quoted 38.2% associated company, representing 8.2% of the equity interest in Malaysia Smelting Corporation Berhad for a total cash consideration of RM38.7 million resulting in a gain of RM15.2 million.

(c) On 1 June 2005, Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd, a wholly-owned subsidiary, has recognised RM60.59 million advance toll compensation due from the Government of Malaysia pursuant to toll restructuring exercise to restrict the imposition of unit toll rate increase by the subsidiary company with effect from 1 June 2005 until the end of the concession period on 27 June 2026.

40 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) On 15 July 2005, Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd, a wholly-owned subsidiary, entered into a facility agreement to issue RM247.0 million nominal amount of Secured Bai' Bithaman Ajil Debt Securities ("BaIDS"). The BaIDS are structured in 25 series with maturities ranging from one year to 17 years from date of issuance.

(e) On 4 October 2005, the Group completed its acquisition of additional 39,799,999 ordinary shares of RM1.00 each, representing approximately 19.9% equity interest in an existing subsidiary, Pelabuhan Tanjung Pelepas Sdn Bhd for a total purchase consideration of RM756.2 million satisfied by the issuance of 395,916,230 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.91 per share.

(f) On 7 December 2005, the Company entered into a conditional Share Sale Agreement with the holding company, Seaport Terminal (Johore) Sdn Bhd for the proposed acquisition of 170,755,002 ordinary shares of RM1.00 each in Johor Port Berhad ("JPB") representing approximately 51.74% of the issued and paid up share capital of JPB for a cash consideration of RM2.50 per ordinary share of RM1.00 each in JPB amounting to approximately RM426.9 million.

Following the proposed acquisition, pursuant to Section 33A of the Securities Commission Act, 1993 and Section 6 of the Malaysian Code on Take-Overs and Mergers, 1998, the Company will undertake an unconditional Mandatory General Offer for the remaining JPB Shares not already held by the Company at a cash consideration of RM2.50 per ordinary share of RM1.00 each, subject to the approval at the Extraordinary General Meeting which will be held on 28 February 2006.

41 FINANCIAL INSTRUMENTS

Forward foreign currency exchange contracts

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.

Where there is exposure to foreign currency transaction risk, such transactions which materially impact the financial position of the subsidiary, forward foreign currency exchange contracts are entered into to limit the subsidiary's exposure on foreign currency with a value higher than RM100,000.

41 FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2005, the settlement dates on open forward contracts are 3 months (2004: 1 and 6 months). The foreign currency amount to be received and contractual exchange rates of the subsidiary's outstanding contracts were as follows:

Hedged item	Currency to be received	RM'000 equivalent	Contractual rate
At 31 December 2005			
Trade receivables:			
– USD 44,029	USD	163	1 USD=RM3.7085
Future cost of sales over the following 6 months:			
– EURO 261,250	EURO	1,196	1 EURO=RM4.5780
At 31 December 2004			
Trade receivables:			
– USD 97,125	USD	370	1 USD=RM3.8122
Future sales of goods over the following 6 months:			
– USD 317,582	USD	1,209	1 USD=RM3.8082

The net unrecognised loss on open contracts which hedge anticipated future foreign currency sales amounted to RM3,396 (2004: RM50). The net exchange gains 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 RM32,213 (2004: RM3,781).

Fair Value

The carrying amounts of recognised financial assets and the liabilities of the Group and Company at the balance sheet date approximated the fair values except as disclosed in Notes 15, 16, 17, 26 and 31.

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2006.

SHAREHOLDING STATISTICS

as at 21 March 2006

Class of securities	:	Ordinary Shares of RM0.10 each
Authorised Share Capital	:	RM200,000,000.00
Issued paid-up Capital	:	RM152,252,927.60
Voting rights	:	1 vote for every Ordinary Share
No. of shareholders	:	11,052

SHAREHOLDINGS STATISTICS

Size of Holding	No. of shareholders	% of shareholders	No. of shares held	% of issued capital
Less than 100 shares	235	2.13	6,915	0.00
100 to 1,000	2,606	23.58	2,310,306	0.15
1,001 to 10,000	6,710	60.71	27,331,641	1.80
10,001 to 100,000	1,276	11.55	35,417,795	2.33
100,001 to less than 5% of issued shares	220	1.99	290,447,899	19.08
5% and above of issued shares	5	0.05	1,167,014,720	76.65
Total	**11,052**	**100.00**	**1,522,529,276**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct	%	Indirect	%
Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputra)	378,960,300	24.89	—	—
Seaport Terminal (Johore) Sdn Bhd (“Seaport”)	788,054,420	51.76	—	—
Employees Provident Fund	76,440,300	5.02	—	—
Indra Cita Sdn Bhd (“Indra Cita”)	—	—	*788,054,420	51.76
Tan Sri Dato’ Syed Mokhtar Shah bin Syed Nor	—	—	@788,054,420	51.76

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

DIRECTORS’ INTEREST AS PER THE REGISTER OF DIRECTORS’ SHAREHOLDINGS

No.	Name of Director	No. of shares held (indirectly)	% of issued capital
1	Dato’ Wira Syed Abdul Jabbar bin Syed Hassan	3,000[(1)]	#[(3)]
2	Datuk Ir (Dr.) Haji Ahmad Zaidee bin Laidin	6,000[(2)]	#[(3)]

Notes:
(1) Deemed interested by virtue of the shares held by his son
(2) Deemed interested by virtue of the shares held by his spouse
(3) Negligible

THIRTY LARGEST SHAREHOLDERS

as at 21 March 2006

No.	Name	No. of shares held	% of issued capital
1	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seaport Terminal (Johore) Sdn Bhd (26940 JTRK)	395,916,230	26.00
2	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	378,960,300	24.89
3	Seaport Terminal (Johore) Sdn Bhd	207,513,190	13.63
4	AMMB Nominees (Tempatan) Sdn Bhd AMINTERNATIONAL (L) Ltd for Seaport Terminal (Johore) Bhd (AMIL-SEAPORT)	106,500,000	6.99
5	Mayban Securities Nominees (Tempatan) Sdn Bhd HSK Corporate Advisory and Consultancy Sdn Bhd for Seaport Terminal (Johore) Sdn Bhd	78,125,000	5.13
6	Employees Provident Fund Board	63,279,700	4.16
7	Lembaga Tabung Haji	59,523,810	3.91
8	Mayban Nominees (Asing) Sdn Bhd The Straits Trading Company Limited (N14011200404)	15,400,947	1.01
9	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	9,043,500	0.59
10	Universal Trustee (Malaysia) Berhad Mayban Unit Trust Fund	6,978,300	0.46
11	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	6,727,400	0.44
12	Permodalan Nasional Berhad	4,672,432	0.31
13	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSGP for Sunnyvale Holdings Ltd	4,177,000	0.27
14	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt Sg for Employees Provident Fund	3,955,800	0.26
15	Universal Trustee (Malaysia) Berhad Mayban Balanced Trust Fund	3,384,000	0.22
16	Citigroup Nominees (Asing) Sdn Bhd CBHK for Packer & Co Investigator Trust (Cogent)	3,333,900	0.22
17	RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	3,270,000	0.21
18	Mayban Nominees (Tempatan) Sdn Bhd Mayban Investment Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja (N14011980810)	3,150,000	0.21
19	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	3,088,000	0.20
20	Amanah Raya Nominees (Tempatan) Sdn Bhd Sekim Amanah Saham Nasional	3,015,300	0.20

No.	Name	No. of shares held	% of issued capital
21	AMMB Nominees (Tempatan) Sdn Bhd AMTrustee Berhad for HLG Penny Stock Fund (5/4-3)	2,734,500	0.18
22	CIMB Nominees (Tempatan) Sdn Bhd Commerce International Merchant Bankers Berhad (ETP)	2,582,000	0.17
23	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	2,420,200	0.16
24	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Huey Peng (REM650)	2,372,600	0.16
25	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company for Ishares, Inc	2,371,200	0.16
26	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB-Principal Asset Management Berhad for Employees Provident Fund Board	2,329,600	0.15
27	AMMB Nominees (Tempatan) Sdn Bhd AMTrustee Berhad for HLG Strategic Fund (L6 Strategic)	2,222,500	0.15
28	Menteri Kewangan Malaysia Section 29 (SICDA)	2,196,395	0.14
29	Citigroup Nominees (Asing) Sdn Bhd Mellon Bank, N.A. for Investors Pacific International Fund	2,097,500	0.14
30	OSK Nominees (Asing) Sdn Berhad DBS Vickers Secs (S) Pte Ltd for Lee Kim Tah Private Limited	2,000,000	0.13
	TOTAL	**1,383,341,304**	**90.86**

LIST OF PROPERTIES HELD BY MMC AND ITS SUBSIDIARIES

as at 31 December 2005

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 District of 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 District of Batang Padang	Freehold	41.25	Agricultural land/vacant	—	1	—	1980-1992
Lot Nos. 712 & 3501 Bidor District of Batang Padang	Freehold	1.21	Agricultural land/vacant	—	14	—	1968 & 1978
Lot Nos. 5072, 5073 & 5708 Changkat Jong District of Hilir Perak	Freehold	8.51	Agricultural land/vacant	—	99	—	1975
Lot Nos. 1894 & 2136 Chenderiang District of Batang Padang	Freehold	2.82	Agricultural land/vacant	—	28	—	1990
Lot No. 6654 Chenderiang District of 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 District of Perak Tengah	Freehold	110.68	Agricultural land/vacant	—	629	—	1982-1992
Lot Nos. 3741, 4871, 9472, 18023 & 33334 Kampar District of Kinta	Freehold	3.73	Agricultural land/vacant	—	177	—	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 District of Perak Tengah	Freehold	1.12	Agricultural land/vacant	—	6	—	1988
Lot Nos. 1007, 74651 & 158405 Sungai Terap District of Kinta	Leasehold	7.29	Office/ workshop	2030-2050	3,917	14-36	1970-1990
Lot Nos. 13524 & 13525 Batang Padang District of Batang Padang	Leasehold	11.91	Mining land	2006	1	—	2003
Lot No. 3436 Kampung Gajah District of Perak Tengah	Leasehold	7.00	Mining land	2008	1	—	1988
Lot No. 35701 Tanjung Tualang District of Kinta	Leasehold	15.35	Industrial land/campsite	2011	380	—	1991
Lot Nos. 42772 & 155488 Sungai Terap District of Kinta	Leasehold	35.63	Housing development project (individual titles for 99 years issued)	2103	1	—	—
Lot No. 12803 Sungai Terap District of Kinta	Freehold	1.08	Residential building	—	100	49	1934
Lot Nos. 31672, 31673 & 42229 Sungai Terap District of Kinta	Freehold	1.34	Agricultural land/vacant	—	5	—	1965 & 1966
Lot No. 10318 Sungai Raia District of Kinta	Freehold	1.07	Agricultural land/vacant	—	4	—	1980
Lot No. 437 Kampar District of Kinta	Leasehold	0.41	Agricultural land/vacant	2885	8	—	1937
Lot Nos. 3906, 5009 & 5010 Chenderiang District of Batang Padang	Freehold	3.44	Agricultural land/vacant	—	84	—	1965

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Selangor Darul Ehsan							
PT 5841 Batang Berjuntai District of Kuala Selangor	Leasehold	2.35	Factory building	2101	9,552	14	2002
Lot Nos. 552, 596, 866, 867 & 1833 Batang Kali District of Ulu Selangor	Freehold	6.37	Agricultural land/vacant	—	115	—	1940-1968
Lot No. 25176 Bukit Raja District of Klang	Leasehold	2.33	Industrial land	2088	1,441	25	1992
PT 720 Shah Alam District of Petaling	Leasehold	0.71	Workshop/ office building	2018	2,295	16	1988
Lot Nos. 1604, 1605 & 1608 Klang District of Klang	Freehold	4.25	Workshop	—	7,457	10-15	1990-1995
Lot Nos. 3521, 3522 & 7437 Ulu Langat District of Kajang	Freehold	5.15	Residential building/vacant	—	424	37	1987
PT 15752 Section 26 Shah Alam	Leasehold	2.13	Office building	2094	13,259	11	1994
Section 4 Bandar Baru Bangi	Leasehold	178 sq. m.	Office building	2099	362	6	2000
Section 16 Shah Alam	Leasehold	227 sq. m.	District station	2101	96	—	2002
Cheras Jaya Industrial Area	Leasehold	627 sq. m.	District station	2103	100	—	2004

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							
PT 13199 Labu District of Seremban	Freehold	0.43	Residential building	—	1,312	6	2000
Lot Nos. 762 & 763 Setul District of Seremban	Leasehold	5.56	Factory building	2088	26,829	14	1992
Lot Nos. 627 & 760 Pasir Panjang District of Port Dickson	Freehold	0.51	Residential building/holiday bungalow	—	1,950	58	1956
Lot Nos. 3920 & 3921 Pasir Panjang District of Port Dickson	Freehold	0.11	Residential building/holiday bungalow	—	255	25	1983
Lot No. 15698 Senawang Business Centre	Freehold	153 sq. m.	Office building	—	224	11	1995
PT 1287 Senawang District of Seremban	Freehold	168 sq. m.	District station	—	24	—	1995
Pulau Pinang							
Lot Nos. 87, 88, 394 & 395 Mukim 17 District of Batu Ferringhi	Freehold	11.97	Building site	—	11,000	—	1950
PLO 74, 80, 113, 115, 526 & 533 Prai Industrial Park	Leasehold	0.14	District station	2060	285	—	2000 & 2001
Kedah Darul Aman							
Kulim Hi-Tech Park	Leasehold	0.12	District station	2063	167	—	2003
PT 1049-1095 Lunas District of Kulim	Freehold	1.18	Building site	—	1,680	—	1994

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							
Lot No. 211 Tanah Rata District of Cameron Highland	Leasehold	0.35	Building site	2040	125	—	1982
Lot No. 1821 Tras District of Raub	Leasehold	0.40	Residential building/holiday bungalow	2028	582	54	1956
PT 7503 Gebeng Industrial Area Kuantan	Leasehold	1.21	Office building	2064	2,636	10	1994
Lot No. 102 Gebeng Industrial Area Kuantan	Leasehold	307 sq. m.	District station	2101	67	—	2002
Terengganu Darul Iman							
Lot No. 580 Banggul District of Kemaman	Freehold	0.81	Workshop	—	1,240	12	1990
PT 4734 Teluk Kelung District of Kemaman	Leasehold	4.05	Industrial land/vacant	2056	495	—	1996
Lot Nos. 986-1009, 1072-1095 Banggul District of Kemaman	Freehold	1.11	Building/vacant	—	503	15	1995
Melaka							
PT 1510 Kelemak Industrial Area Alor Gajah	Leasehold	143 sq. m.	Office building	2091	181	6	2000
PT 4135 Kelemak Industrial Area Alor Gajah	Leasehold	170 sq. m.	District station	2100	26	—	2001
PT 1432 Cheng Industrial Area	Leasehold	557 sq. m.	District station	2103	236	—	2004
Lot No. 4649 Bkt. Rambai	Leasehold	474 sq. m.	District station	2091	143	—	2005

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							
PT 115555 Pasir Gudang	Leasehold	1.30	Office building	2055	2,939	10	1993
PT 20267 Kluang	Freehold	153 sq. m.	Office building	—	132	11	1995
PLO 682 Plentong District of Pasir Gudang	Leasehold	0.12	District station	2058	46	—	1998
PT 148061 & 128156 Plentong District of Pasir Gudang	Leasehold	336 sq. m.	District station	2097	76	—	1995 & 1996
PLO 40 & 48 Kluang District of Kluang	Leasehold	226 sq. m.	District station	2055	40	—	1995 & 1998
PLO 298 Tebrau District of Johor Bahru	Leasehold	182 sq. m.	District station	2062	79	—	2002
PLO 230 Senai Industrial Area	Leasehold	168 sq. m.	District station	2062	73	—	2002
PT 3527 Sungai Tiram District of Johor Bahru	Leasehold	11.13	Industrial land	2063	11,534	—	2003
Lot No. 1000 Tebrau District of Johor Bahru	Leasehold	56 sq. m.	District station	2103	254	—	2004
Lot No. 2423 Tanjung Kupang District of Johor Bahru	Leasehold	349.04	Port terminal and buildings	2099	1,431,991	6	2000
Lot Nos. 2424-2504, 2514, 2516, 2517, 2519-2521 Tanjung Kupang District of Johor Bahru	Leasehold	726.52	Commercial and industrial land	2099	—	—	2000
Lot No. 1586 Serkat District of Pontian	Grant in perpetuity	114.92	Land for port terminal and buildings	—	—	—	2001

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Kuala Lumpur							
33 to 33-3 Jalan Setiawangsa 11-55A, Tmn. Setiawangsa	Freehold	450 sq. m.	Shop house/ office building	—	225	18	1994
26, Langgak Golf	Freehold	0.53	Residential building	—	11,100	53	1951
28, Langgak Golf	Freehold	0.48	Residential building	—	10,500	53	1951
PT 21 Persiaran Raja Chulan	Freehold	0.61	Vacant land	—	3,374	—	2000
34, Ampang Hilir	Freehold	0.42	18 units of apartment	—	3,196	4	1994
Strata title (20 units) “Sri Kenny” 28, Jalan Tun Ismail	Freehold	57,056 sq. ft.	Apartments	—	3,314	12	1994

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirtieth Annual General Meeting ("AGM") of members of MMC Corporation Berhad will be held at the Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Thursday, 11 May 2006 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. "THAT the Directors' Report and Financial Statements for the year ended 31 December 2005 and the Auditors' Report thereon be and are hereby received and adopted."

2. "THAT the final dividend of 5 sen per share, less tax at 28%, and a special dividend of 1 sen per share, less tax at 28%, for the year ended 31 December 2005 be and is hereby approved and declared payable on 8 June 2006 to the members of the Company registered at the close of business on 19 May 2006."

3. "THAT the following Directors, who retire in accordance with Articles 78 of the Company's Articles of Association, be and are hereby re-elected Directors of the Company:
   a) Dato' Wira Syed Abdul Jabbar bin Syed Hassan
   b) Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob
   c) Dato' Hilmi bin Mohd. Noor."

4. "THAT 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 December 2005 amounting to RM453,000 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, pass the following resolution:

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 purposes 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 authorised to obtain the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares and other relevant approvals, as may be necessary."

CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN THAT shareholders who are registered in the Record of Depositors at the close of business on 19 May 2006 shall be entitled to the final dividend which will be paid on 8 June 2006.

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 19 May 2006 in respect of ordinary transfers, and

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

BY ORDER OF THE BOARD

Elina Mohamed
Secretary

Kuala Lumpur
20 April 2006

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 Registrars, Symphony Share Registrars 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.

Explanatory Note to the Special business:

Resolution No. 7 – Authority to Allot Shares.
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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of Bursa Securities.

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

No.	Day/Date	Time	Venue
1.	Tuesday, 26 April 2005 (Annual General Meeting)	11.00 a.m.	Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur
2.	Monday, 22 August 2005 (Extraordinary General Meeting)	3.00 p.m.	Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur

1. Directors seeking re-election pursuant to Article 78 of the Articles of Association (retirement by rotation)

- Dato' Wira Syed Abdul Jabbar bin Syed Hassan
- Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob
- Dato' Hilmi bin Mohd. Noor

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

- Tan Sri Dato' Thong Yaw Hong

GROUP CONTACT DETAILS

MMC Corporation Berhad
10th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : 603 2092 5588
Fax : 603 2094 0296

Gas Malaysia Sdn Bhd
No. 5, Jalan Serendah 26/17
Seksyen 26
40000 Shah Alam, Selangor
Tel : 603 5192 3000
Fax : 603 5192 6766

IJM Corporation Berhad
Wisma IJM,
Jalan Yong Shook Lin
46050 Petaling Jaya, Selangor
Tel : 603 7985 8288
Fax : 603 7955 0745

Integrated Rubber Corporation Berhad
10th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : 603 2092 5588
Fax : 603 2094 0296

Johor Port Berhad
L2.3, 1st Floor, Wisma Kontena
81707 Pasir Gudang
Tel : 607 251 4063
Fax : 607 252 5388

Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd
KM6.5, Lebuhraya
Butterworth-Kulim
13500 Permatang Pauh
Seberang Prai, Pulau Pinang
Tel : 604 397 7807
Fax : 604 397 7808

Kramat Tin Dredging Berhad
10th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : 603 2092 5588
Fax : 603 2094 0296

Malakoff Berhad
Level 12, Block 3B
Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : 603 2263 3388
Fax : 603 2263 3333

Malaysia Smelting Corporation Berhad
B-15-11, Block B
15th Floor Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 603 2166 9258
Fax : 603 2166 9245

MMC Engineering Services Sdn Bhd
6th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : 603 2084 8000
Fax : 603 2094 5742

MMC Metal Industries Sdn Bhd
KM10, Lahat Papan Road
P. O. Box 77, 30710 Ipoh, Perak
Tel : 605 322 2899
Fax : 605 321 5844

MMC Oil & Gas Engineering Sdn Bhd
Level 22, Menara Asia Life
189, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 2161 6000
Fax : 603 2161 6086

Pelabuhan Tanjung Pelepas Sdn Bhd
Block A, Wisma PTP, TST 507
81560 Gelang Patah, Johor
Tel : 607 504 2222
Fax : 607 504 2288

Pernas Charter Management Sdn Bhd
5th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : 603 2092 5588
Fax : 603 2093 9853

Recycle Energy Sdn Bhd
10th Floor, Block B, HP Towers
12, Jalan Gelenggang
Bukit Damansara
50490 Kuala Lumpur
Tel : 603 2092 5588
Fax : 603 2094 0296

Seginiaga Rubber Industries Sdn Bhd
Lot 1562, Berjuntai Bistari
45600 Batang Berjuntai
Selangor
Tel : 603 3271 0200
Fax : 603 3271 0205

Tepat Teknik Sdn Bhd
Lot 1, Jalan Halba 16/16
Seksyen 16
40000 Shah Alam, Selangor
Tel : 603 5510 1721
Fax : 603 5510 1730

Tronoh Consolidated Malaysia Berhad
23rd Floor, Wisma Zelan
No. 1, Jalan Tasik Permaisuri 2
Bandar Tun Razak
56000 Kuala Lumpur
Tel : 603 9173 9173
Fax : 603 9171 8191

Zelan Holdings (M) Berhad
23rd Floor, Wisma Zelan
No. 1, Jalan Tasik Permaisuri 2
Bandar Tun Razak
56000 Kuala Lumpur
Tel : 603 9173 9173
Fax : 603 9171 2966

PROXY FORM

I/We, ____
(block letters)

of ____

being a member/members of MMC 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 at the Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Thursday, 11 May 2006 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) Dato' Wira Syed Abdul Jabbar bin Syed Hassan		
	b) Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob		
	c) Dato' Hilmi bin Mohd. Noor		
No. 4	Re-appointment of Tan Sri Dato' Thong Yaw Hong		
No. 5	Directors' fees		
No. 6	Re-appointment of Auditors		
	Special Business		
No. 7	Authority to Allot Shares		

Dated: ______________________ Signature: ______________________

Number of shares held: ______________________

NOTES:

1. This proxy form must be deposited at the Registrars, Symphony Share Registrars Sdn Bhd, 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 authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. The 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 other 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 Registrars of MMC Corporation Berhad**
Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

fold here

MMC ON THE INTERNET

The Company's website 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 quarterly report announcements and other important press releases and stock exchange announcements. 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 also available at our website.

www.mmc.com.my