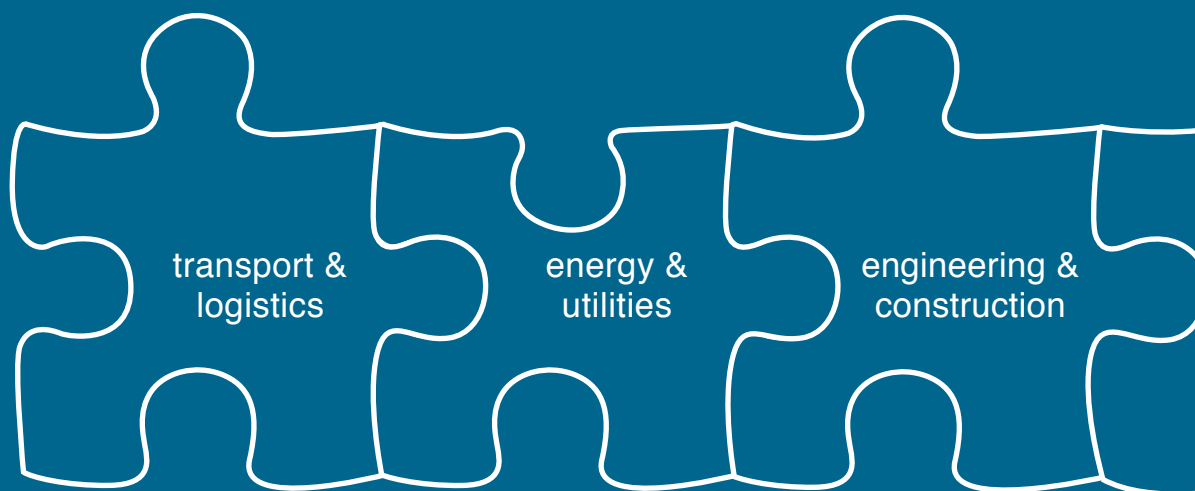




# capitalising on growth opportunities


We have grown the company by making strategic acquisitions and realising organic growth from our existing businesses. We will continue to build our presence in our core businesses to develop a strong and diversified portfolio of assets and leading market positions, both domestically and internationally.



|  |     |
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# driving towards greater achievements

New and expanded facilities are helping us move more products across the globe more efficiently. We have built on our capacity and capability and turned our ports into world class operators. By creating a culture of continuous improvement, we are raising our standard to make each year better than the last.



The Port of Tanjung Pelepas' ("PTP") value proposition lies in its strategic location, world-class terminal management and operational efficiency, unrivalled potential capacity growth and connectivity, as well as competitive rates. These factors make PTP an ideal choice for shipping lines which are restructuring their routes to optimise costs.



transport &  
logistics



The acquisition of Senai Airport Terminal Services in 2009 will enable MMC to widen its involvement in the transport and logistics business into the area of air logistics, in addition to the Group's existing port operations and land-based logistics business. This will allow MMC to offer its customers an integrated logistics solution and multi-modal connectivity via its sea, land, air transportation and logistics business.

# generating sustainable performance

We are one of Asia's leading independent power producers with a generating capacity of 5,020 MW in Malaysia from six power stations that run on gas, oil and coal. We are building on our track record in the Middle East and North African ("MENA") region and nurturing global partnerships to further expand our international business. We are also the sole supplier of natural gas to the non-power sector.





energy &  
utilities

The 2,100 MW Tanjung Bin power plant is the first privatised coal-fired power plant in Malaysia and one of the largest coal-fired independent power plants in South-East Asia. The plant incorporates state-of-the-art clean coal technologies, such as Electrostatic Precipitators ("ESP") and Flue Gas Desulphurisation ("FGD"), making it the cleanest coal-fired plant in Malaysia. The construction of the Tanjung Bin power plant was completed within 37 months, ahead of the construction and commissioning period of 42 months.

# building for the future

We contribute to the economic progress of the country by building new infrastructure to accelerate our nation's growth. We rely on our extensive track record to bring ground-breaking developments. Our culture of innovation confirms our position as a major player in engineering and construction and enhances our future growth strategy.





engineering &  
construction

The implementation of the electrified double tracking railway project will make rail travel a more attractive option, and reduce the country's over-dependence on its road system. Currently, rail travel accounts for only 3% of the country's total transportation, compared to approximately 30% in more developed countries. The over-reliance on our road system has resulted in severe traffic congestion, pollution, a high accident rate, and high fuel subsidy by the government due to high fuel consumption.



# embarking on new frontiers

MMC is the joint master developer of the Jazan Economic City (“JEC”) in Saudi Arabia with the Saudi Binladin Group. JEC has attracted interests totaling US\$30 billion, achieving its target in a span of just 2 years.

Among the industries which have expressed interests in JEC include infrastructure projects, such as a port and a power plant, primary industries, such as an aluminium smelter, a steel cluster and an oil refinery, and secondary industries, such as steel, automotive and shipbuilding industries.



international  
operations

JEC is envisioned to be a fully integrated and self-contained development nurturing non-oil based industries aimed at generating an alternative source of revenue for the Kingdom of Saudi Arabia.

## Dear shareholder,

We achieved considerably good results last year in a tough global economy. With the world facing the most severe economic recession in recent history, we maintained a profit before tax ("PBT") of over RM1 billion, similar to the previous year, and increased revenue to RM8.5 billion, a new record. This resilient performance is mainly due to our strong and diversified business portfolio.

We continue to enhance the Group's value by acquiring strategic assets that are synergistic to our core businesses.

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



## A STRONG AND DIVERSIFIED BUSINESS PORTFOLIO

### Transport & Logistics

Both the Port of Tanjung Pelepas (“PTP”) and Johor Port recorded an increase in throughput in 2008, collectively handling 6.6 million twenty-foot equivalent units (“TEU”) of containers last year. This accounts for 42% of the country’s total container throughput, making MMC the country’s largest container port operator.

PTP consolidated its position as Malaysia’s largest terminal operator, handling a total container throughput of 5.6 million TEUs in 2008, a 2% growth from the previous year. The higher volume was achieved despite a slowdown in global trade, which became more pronounced in the second half of 2008.

Johor Port continues to serve as an important origination point for cargo, particularly from the adjoining Pasir Gudang hinterland. Its better all-round performance in 2008 was achieved on the back of a 9% growth in cargo throughput, driven mainly by an 18% increase in liquid bulk cargo.

This division will be strengthened with the acquisition of Senai Airport Terminal Services (“SATS”) which is synergistic with our port and land-based logistics operations in South Johor and will allow us to offer customers an integrated logistics solution and multi-modal connectivity via sea, land and air transportation. MMC will also be able to exploit SATS’ potential in becoming a regional cargo and logistics hub under a Free Zone flagship which is well-positioned to benefit from the growth potential of Iskandar Malaysia, which is being nurtured by the government to become a sustainable international metropolis and a choice location to live and do business.

MMC’s proposed Petrochemical and Maritime Center, located opposite PTP, will provide the Group with another revenue stream. This 2,255-acre freehold development secured its first investor in September when a subsidiary of Vitol Terminals BV, the world’s leading oil terminal operator, leased 123.5 acres of land for 30 years for an oil terminal facility. We are in negotiations with several other parties, primarily oil & gas players, who are also interested to invest in this development.

The motorway section of the Stormwater Management and Road Tunnel (“SMART”) flood mitigation system completed its first full year of operations in 2008 and is already breaking even operationally. The tunnel was relied on 22 times last year to divert flood water, and we are pleased that there has been no major flooding in the city caused by the overflowing of the Ampang and Klang rivers since SMART commenced operations in mid-2007, testimony to the project’s effectiveness in mitigating Kuala Lumpur’s flooding problems. The Department of Irrigation and Drainage has also confirmed that at least 7 major floods in the city centre have been avoided from SMART’s flood water diversion system.

### Energy & Utilities

The Energy & Utilities division remains the main source of revenue and earnings for the Group. The full-year consolidation of Malakoff’s results, as well as Gas Malaysia’s higher sales volume, positively impacted the Group’s performance in 2008.

Malakoff remains the nation’s largest independent power producer, with an effective generation capacity of 5,020 MW, equivalent to 25% of the generation capacity in Peninsular Malaysia. Malakoff has leveraged on its track record in Malaysia to expand into the power and water generation business in the Middle East and North African (“MENA”) region. The company’s first project overseas, the 900 MW and 1,030,000 m<sup>3</sup>/day Shuaibah independent water and power plant project in Saudi Arabia, is scheduled to begin commercial operations in the third quarter of this year. Malakoff also owns an equity stake in a 200,000 m<sup>3</sup>/day seawater desalination plant in Algeria, which is targeted to achieve commercial operations next year. Last year Malakoff acquired equity interests in Jordan’s largest electricity provider, Central Electricity Generation Company, with an effective generation capacity of 1,680 MW, which should start contributing profits this year. Malakoff’s successful ventures in the power and water generation business abroad increases its profile in international jobs and opens up new opportunities both overseas and locally.

Gas Malaysia, Malaysia’s sole natural gas supplier to the non-power sector, operates a recession-proof gas reticulation business that is expected to continue providing MMC with a steady stream of cashflow.

The tariff rebalancing exercise effective August 2008 improved the company's gross margins, resulting in higher revenue and earnings for Gas Malaysia.

In November, we acquired 74% of Aliran Ihsan Resources ("AIRB"), a water treatment company which supplies 75% of the water supply in Johor, thus adding a new revenue stream to our Energy & Utilities division. This acquisition will allow us to leverage on AIRB's expertise to grow our utilities business both locally and internationally.

## Engineering & Construction

The RM12.5 billion electrified double tracking railway project, the country's largest infrastructure project, is progressing well and has achieved 21% completion to-date, as scheduled. This project, which has now entered its second year, made a significant maiden contribution to the Group's earnings last year.

**Due to its sheer size and reach, the double tracking railway project has made a positive impact on the domestic economy, particularly those of Perak, Penang, Kedah and Perlis, and has been an important source of job creation in these states, creating about 7,000 jobs to-date with 6,000 more expected in the coming months. A total of 400 sub-contractors in the four northern states have been awarded jobs generating more than RM10 billion worth of downstream activities.**

Our associate, Zelan, is fast growing into a regional EPCC (engineering, procurement, construction and commissioning) power plant contractor. Already a leading player in the local EPCC market with involvement in the construction of 14 power plants up to a maximum generation capacity of 2,100 MW, Zelan offers a unique value proposition as a specialist design and build power plant contractor with the requisite capacity and capability to move towards greater heights. Zelan has also carved a niche in the property development and construction sectors with projects such as the RM440 million Hampshire Residences in Kuala Lumpur, the RM1.9 billion Al-Reem Island project and RM796 million Meena Plaza in Abu Dhabi, and the RM280 million 45-storey Sidra Tower in Dubai.

## International Operations

On the international front, the construction of the third container terminal at the Jeddah Port in Saudi Arabia is progressing as scheduled with completion expected by next year. Once completed, this terminal will have a capacity of 1.5 million TEUs and boost the Group's income in the port business.

MMC's Jazan Economic City ("JEC") project has attracted a total of US\$30 billion worth of investments, achieving its target in a span of just two years, well ahead of the 25-year timeframe envisaged during the project's launch in 2006. Among the industries which will be set up in JEC include infrastructure projects, such as a port and a power plant, primary industries, such as an aluminium smelter, a steel cluster and an oil refinery, and secondary industries, such as steel, automotive and shipbuilding industries.

In the longer term, MMC's investments in the port, power plant and aluminium smelter will provide us with recurring income once these plants become operational. In light of the current financial climate, Saudi Arabia, the world's largest oil producer, is much better placed than most other economies in terms of liquidity and we believe that good projects with sound economic basis will be able to attract adequate funding.

## A RESILIENT PERFORMANCE

Group revenue rose 49% to an all-time high of RM8.5 billion from RM5.7 billion, mainly attributable to the full-year consolidation of Malakoff's results, compared to a contribution of eight months in 2007. MMC's core earnings remained resilient despite our decision to make full provisions for the impact of the windfall profit levy, Malakoff's legal dispute with Tenaga Nasional Berhad on metering and the impairment loss for Malakoff's associate company. Even with substantial provisions of RM382 million, the Group recorded a PBT of RM1.02 billion, comparable to the previous year, and posted only a 5% decline in net profit attributable to shareholders to RM527 million and earnings per share to 17.3 sen. Excluding these exceptional items, the Group would have registered a PBT of RM1.4 billion in 2008, 37% higher than the previous year.

The board is recommending a lower dividend of 2.5 sen per share this year, due to the substantial provisions incurred, compared to 5 sen per share last year. This represents a net dividend payout of RM76 million to shareholders.

You will find further discussion on our results and other important aspects of our business in the financial reports and the Management's Discussion & Analysis of our Malaysian and International operations further along in this annual report.

## AWARDS AND RECOGNITION

We are pleased to have been recognised for our efforts to enhance shareholder value, uphold corporate governance and achieve engineering excellence. Last year we were recognised as the sectoral winner in the "Energy & Natural Resources" category in KPMG's Shareholder Value Award 2007. We also ranked 9th in the "Best Corporate Governance" category for Asia's Best Companies 2008 by FinanceAsia & JP Morgan.

The SMART project continued to receive accolades. The MMC-Gamuda Joint Venture was honoured as "Contractor of the Year" at the Malaysian Construction Industry Excellence Awards 2008 by the Construction Industry Development Board Malaysia. In October, SMART won the International Award at the prestigious British Construction Industry Awards 2008, perhaps the United Kingdom's most rigorously judged awards in the construction sector.

## CHALLENGING OUTLOOK

The financial crisis that began with the subprime disaster in the USA has turned into one of the worst economic crises in decades. Many developed countries are now in recession, a situation projected to persist for at least two years. Our government expects our GDP to grow at 1% this year at best, or contract by 1% at worst – a situation we have not experienced since 1999.

Our ports will undoubtedly be affected by this economic crisis. PTP is already experiencing a drop in transshipment cargo attributable to declining world trade. Johor Port is also handling less cargo with the drop in origination cargo.

Our largest earnings contributor, the Energy & Utilities division, operates concession assets with long-term recurring income in the domestic market, and is somewhat cushioned from major external shocks. However, any reduction in electricity usage during this economic slowdown will adversely impact Malakoff's dispatch factor. The reduced tariff for natural gas introduced in March 2009 to boost the domestic economy is expected to spur industrial demand for natural gas and enable Gas Malaysia to continue posting strong results.

Our Engineering & Construction division will continue to focus on the construction of the RM12.5 billion double tracking railway project, which will provide MMC with a strong income stream for the remaining five years. This project, along with our track record of building major infrastructure projects, such as the SMART project and regional power plants, provide compelling credentials for us to grow this division further when the economy recovers.

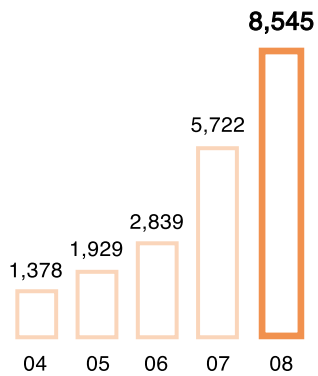
**Acquisitions have significantly contributed towards the Company's growth over the years and we believe that the challenging environment that we are facing currently affords a suitable opportunity for us to better align our businesses for greater synergy. We believe this strategy will improve total shareholder returns and help us build a sustainably successful company in the long term.**

## APPRECIATION

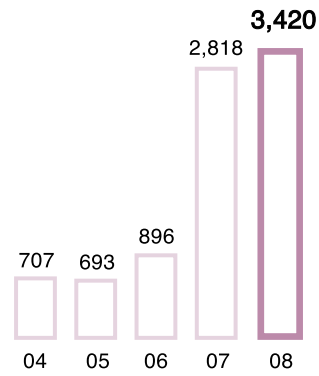
I would like to take this opportunity to express my appreciation to our shareholders for their support and to our clients, financiers and business partners for their continued confidence and trust. On behalf of the board, I am pleased to welcome Encik Ooi Teik Huat who joined the board as an independent director in May last year. I wish to also thank my colleagues on the board for their leadership. Special mention goes to our employees throughout the Group who continue to give their best for MMC towards achieving our vision to become a premier global utilities and infrastructure group.

**Dato' Wira Syed Abdul Jabbar bin Syed Hassan**  
Chairman  
April 2009

**Revenue**

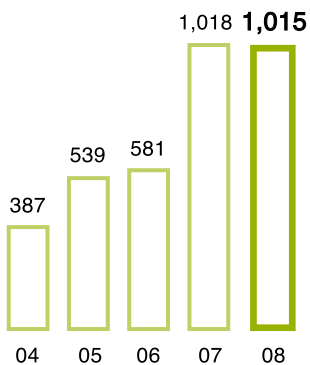


**EBITDA**

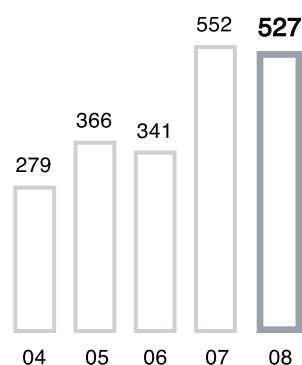


# facts & figures

**Profit before tax**

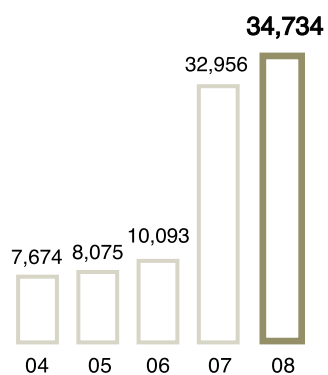


**Profit after tax & minority interests**

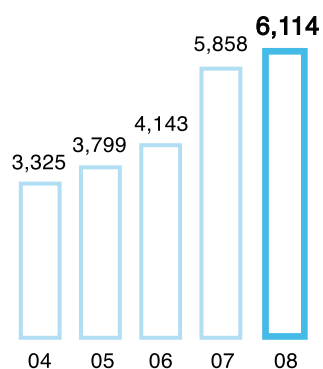


All in RM million unless otherwise stated

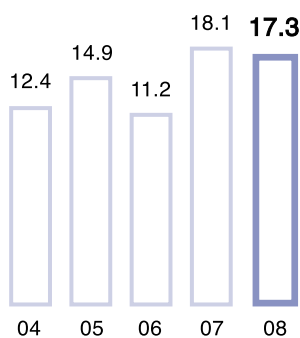
### Gross assets



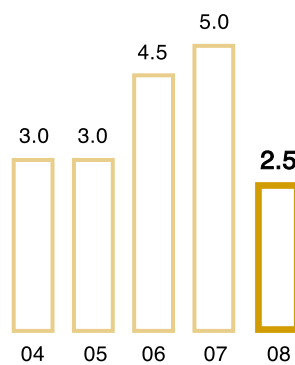
### Shareholders' funds



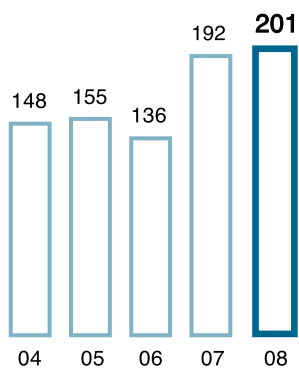
### Earnings per share (sen)



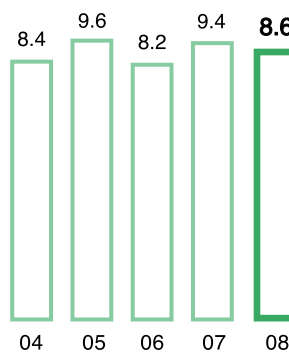
### Dividend per share (sen)



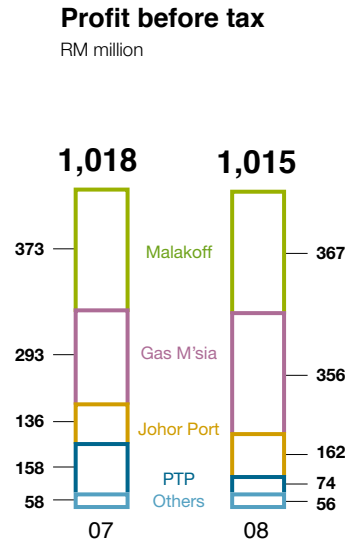
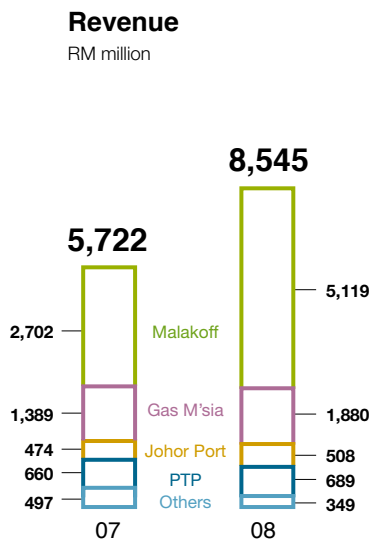
### Net asset per share (sen)



### Return on equity (%)



All in RM million unless otherwise stated



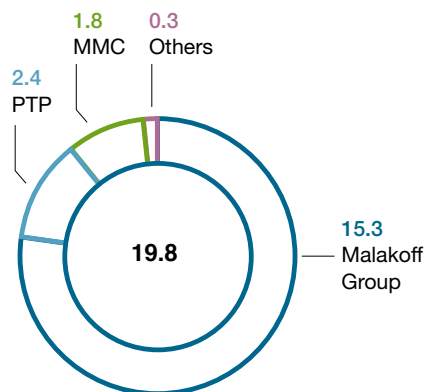
# consolidated operations

Group revenue increased by 49% to RM8.5 billion in 2008, the highest in MMC's history, mainly due to the full-year consolidation of Malakoff's results, compared to a contribution of eight months in 2007. Last year we made provisions amounting to RM382 million for the impact of the windfall profit levy, Malakoff's legal dispute on metering and the impairment loss for Malakoff's associate company. Despite these substantial provisions and the prevailing tough economic conditions, our PBT was maintained at over RM1 billion, while our net profit declined by only 5% to RM527 million. Without these provisions, our PBT and net profit would have been 37% higher than the previous year, at RM1.4 billion and RM756 million respectively.

These provisions, which we have prudently undertaken and are in line with GAAP, are non-recurring. Hence, we are able to start 2009 on a clean slate and we will focus on executing the strategies in place to ensure that we can deliver a satisfactory performance under the current economic crisis.

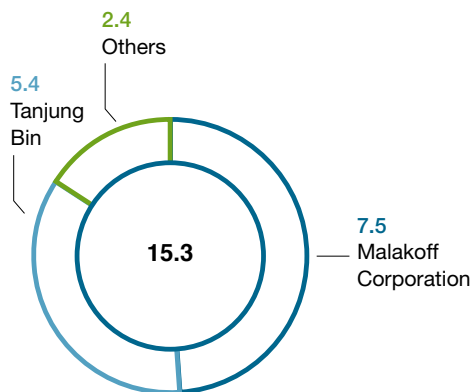
### MMC Group's borrowings

RM billion



### Malakoff Group's borrowings

RM billion



## LIQUIDITY

The Group ended the year with RM3.8 billion in cash and deposits, 15% higher than RM3.3 billion in the previous year. We have sufficient cash flow to comfortably cover our debt service requirements. Our good financial standing will also allow us to benefit from the current low interest rate environment should the need arise for us to tap the market for new funding. Our task this year is to ensure that our cash is preserved and debt service cover improved.

## BORROWINGS

As at 31 December 2008, the Group's total borrowings stood at RM19.8 billion, representing a net gearing of 2.6 times, comprising the following:

- RM1.8 billion at the holding company (net gearing of 0.4 times)
- RM15.3 billion at Malakoff
- RM2.4 billion at PTP
- RM138 million at Johor Port
- RM112 million at other operating companies

Total borrowings increased by RM471 million in 2008, mainly due to the acquisition of AIRB and the deposit of RM340 million paid for the acquisition of SATS. Interest cover as measured by the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") over interest expense remains comfortable at 2.5 times.

## malaysian operations

We are encouraged by the Group's performance despite the tough operating environment in 2008. We registered a net profit of RM527 million, only 5% lower than the previous year, even after substantial one-off provisions of RM382 million. This resilient performance demonstrates the strength of the Group's diversified businesses.

We are starting the year on a clean slate. With strong core earnings, the Group is well positioned to face the challenging economic conditions and to capitalise on the domestic growth opportunities. We are confident that MMC has the strength and resilience to achieve its vision of becoming a premier utilities and infrastructure group globally.



**Hasni Harun**  
CEO Malaysia

## malaysian operations - corporate structure

| MMC Corporation Berhad   |  |   |
|--|--|---|
| Transport & Logistics  | Energy & Utilities   | Engineering & Construction  |
| <b>70%</b><br><b>Pelabuhan Tanjung Pelepas</b><br>Container port & logistics hub | <b>51%</b><br><b>Malakoff</b><br>Power & water generation                                  | <b>50%</b><br><b>MMC-Gamuda JV</b><br>Electrified double tracking railway project |
| <b>100%</b><br><b>Johor Port</b><br>Multi-purpose port & logistics operations    | <b>41.8%</b><br><b>Gas Malaysia</b><br>Natural gas distribution                            | <b>39.2%</b><br><b>Zelan</b><br>Investment holding                                |
| <b>50%</b><br><b>SMART</b><br>Toll road operations of the SMART tunnel motorway  | <b>74.4%</b><br><b>Aliran Ihsan Resources</b><br>Water treatment                           | <b>100%</b><br><b>Zelan Construction</b><br>Power plant construction              |
|  | <b>99.9%</b><br><b>MMC Oil &amp; Gas</b><br>Design engineering services                    | <b>8.8%</b><br><b>IJM</b><br>Major infrastructure works                           |
|  |  |   |
| <b>Others</b>  | <b>20.1%</b> <b>Integrated Rubber Corporation</b> Manufacturing & trading of rubber gloves |   |
|  | <b>52.9%</b> <b>Kramat Tin Dredging</b> Refocusing business                                |   |

% - Figure denotes percentage of Group's direct interest, except in the case of Zelan Construction and IJM



Port of Tanjung Pelepas

# transport & logistics

## PORT OPERATIONS

**PTP** experienced a 4% increase in revenue to RM689 million on the back of a 2% growth in container throughput volume to 5.6 million TEUs in 2008 which was achieved despite a challenging final quarter affected by the global economic slowdown. Net profit rose by 90% to RM220 million mainly driven by the recognition of RM148 million in deferred tax income on qualifying capital expenditure incurred as allowed by the revised FRS 112 “Income Taxes”.

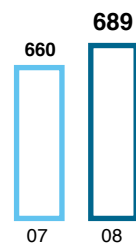
Last year PTP was adversely affected by two factors which dramatically increased its cost of doing business which contributed to a 53% drop in PBT to RM74 million. The first was the massive increase in global oil prices during the first half of 2008 which significantly increased the port’s diesel costs. The second was the intensive deployment of port equipment due to capacity constraints which led to unusually high repair and maintenance costs during the second half of the year. However, with the subsequent drop in global oil prices and arrival of new port equipment, costs are once again within expectations and the port’s crane productivity and efficiency are back on track.

The port continues to attract more main liners. In April 2008, PTP signed up MISC, which is moving its regional transshipment hub to PTP thus adding throughput this year. The Pelepas Freezone is also expected to generate higher revenue arising from higher warehouse and land rental income.

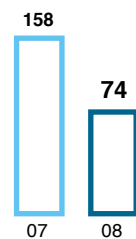
The port is balancing its expansion plans aimed at capitalising on new business opportunities with the need to preserve cash given the current economic environment. Berths 9 and 10, which were completed last year, will be fully equipped this year. This will raise PTP’s annual capacity to 8 million TEUs, which is expected to be sufficient until 2010. Construction of berths 11 and 12 are on-going although they will only be fully equipped when the global shipping trade outlook improves and there is demand from potential new customers.

### PTP

Revenue



PBT



RM million



Johor Port

Despite the deteriorating global economy and decline in international trade, PTP will continue to pursue its vision to be the “Preferred Port of Choice in South East Asia” for major mainline operators. PTP’s value proposition lies in its strategic location, world-class terminal management and operational efficiency, unrivalled potential capacity growth and connectivity, as well as competitive rates. These factors make PTP an ideal choice for shipping lines which are restructuring their routes to optimise costs.

We remain confident that PTP will be able to ride through this difficult period and emerge stronger to continue its impressive growth track record in the near future.

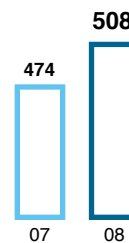
**Johor Port** reported a 19% increase in PBT to RM162 million on the back of a 7% rise in revenue to RM508 million. Net profit was, however, marginally lower by 1% at RM127 million mainly due to a lower tax charged in 2007.

Total conventional cargo grew by 8% to 17.2 million freight weight tonnes mainly contributed by an 18% growth in liquid bulk, which benefitted from the buoyant trade in crude palm oil. Dry bulk and break bulk, however, registered a decline of 3% and 12% respectively mainly attributable to increasing vessel chartering costs, which prompted many importers previously using bulk transportation to shift to container cargo. This in turn boosted import throughput for Johor Port’s container services and mitigated the impact of reduced exports of empty containers. As a result, the port’s container terminal business experienced a 1% increase in volume to 934,767 TEUs. Johor Port will capitalise on this trend to improve the performance of this sector this year.

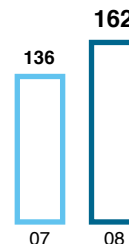
The year 2009 will also be crucial for the development of Johor Port’s information and communications technology infrastructure. The new Multi-Purpose Terminal System, scheduled to be launched by the end of the year, will complete the integration of all of the port’s online applications, covering almost all of its services, into one ground-breaking, seamless online working environment.

### Johor Port

#### Revenue



#### PBT



RM million



Proposed Tanjung Bin Petrochemical & Maritime Centre, located next to Malakoff's Tanjung Bin power plant and opposite PTP

Johor Port's subsidiary, JP Logistics ("JPL"), has seen an increase in customers utilising its total logistics services. This total logistics model reduces customers' overheads, simplifies procedures and maintains stock inventories at optimum levels. JPL has recently expanded its fleet to include 56 new conventional prime movers equipped with global positioning systems to provide real-time monitoring of movements.

Johor Port is taking the necessary measures to mitigate the difficult period ahead. The container terminal will aggressively promote its services to new markets, while the bulk and break bulk terminals will expand their current customer base by focusing on high-value cargo and commodities.

Johor Port has further improved its facilities by upgrading four warehouses and building a new jetty to handle additional non-edible liquid bulk cargo. JPL is building the groundwork for expansion into the ASEAN region by setting up strategic alliances and joint ventures to enable JPL to successfully compete at the regional level.

## **TANJUNG BIN PETROCHEMICAL & MARITIME CENTRE**

We made significant progress last year towards developing our 2,255 acres of land bank at Tanjung Bin, Johor, located opposite PTP, into a regional petrochemical and maritime centre. In September 2008, Vitol Terminal BV's subsidiary, ATT Tanjung Bin ("ATT"), leased 123.5 acres of our land at RM20 per square foot for a period of 30 years. ATT will be investing approximately RM1 billion to construct facilities for an oil terminal to cater for blending and storage of crude oil, petroleum and petrochemical products with an initial capacity of 750,000 cubic meters. Negotiations are on-going with several multinational oil & gas companies to lease other land in the area.

Despite the challenges ahead, we are confident that the long-term outlook for our transport and logistics business remains viable. The combined value of PTP and Johor Port, together with the Tanjung Bin Petroleum and Maritime Centre, is immense, and the addition of Senai International Airport will enhance our multi-modal synergies by combining sea, land and air logistics. Our large logistics presence in Iskandar Malaysia, which has been accorded a priority sector by the government, provides us with the right platform to realise our vision to become a premier logistics player.



Malakoff's 1,303 MW Lumut power plant

# energy & utilities

## POWER AND WATER GENERATION

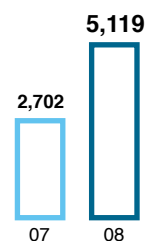
**Malakoff** made its first 12-month contribution to the Group, registering a revenue of RM5.1 billion against RM2.7 billion for an eight-month period in 2007 (RM4 billion annualised). Its contribution to the Group's PBT of RM367 million, however, dropped by 2% compared to the previous year, while net profit declined by 33% to RM239 million.

The decline in PBT and net profit is mainly due to heavy provisions amounting to RM323 million, which we have prudently adopted in accordance with GAAP. In June 2008, the government announced an annual windfall profit levy on all independent power producers, which was subsequently changed in September 2008 to a one-off levy. This resulted in a one-time charge of RM212 million which we fully provided last year. Malakoff also made provisions of RM51 million for the impairment of its investment in 40%-owned Kapar Energy Ventures ("KEV") due to its poor operational performance. The company also made a further provision of RM60 million due to its metering dispute with Tenaga Nasional Berhad. Without these provisions, Malakoff would have recorded a PBT of RM690 million last year, 23% higher than the annualised PBT of RM560 million in the previous year.

These provisions are non-recurring, hence allowing Malakoff to start 2009 on a clean slate. The challenge for Malakoff this year is to ensure that its capacity factor, which was 54% in 2008, is not drastically affected by the slowdown in demand as a result of the economic crisis. Our investment in KEV needs to be closely monitored as operating at a low capacity factor could further deteriorate its financial performance.

### Malakoff

#### Revenue



#### PBT



RM million



Gas Malaysia's odoriser station

Malakoff remains the country's largest independent power producer with a domestic effective power generation capacity of 5,020 MW, representing a quarter of Peninsular Malaysia's generation capacity. The domestic power plant-up program is currently restricted as the reserve margins for the country has risen to 40% at the end of 2008 exacerbated by lower energy demand. Recognising the limited opportunities for expansion in the domestic power business, Malakoff has ventured abroad to develop new businesses in power and water generation.

Malakoff has made significant headway in international projects via investments in Saudi Arabia, Jordan, Oman and Algeria over the last few years and Jordan's Central Electricity Generation Company is expected to start contributing profits this year. The Shuaibah independent water and power plant project in Saudi Arabia is due for completion in the third quarter of 2009 and the seawater desalination plant in Algeria is targeted to achieve commercial operations next year.

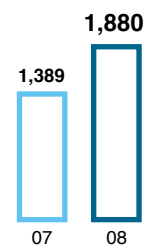
The current credit crunch creates a challenge for Malakoff to raise financing without sacrificing project returns and the company is now focusing on successfully executing its current projects and extracting greater cost efficiencies to draw greater value from existing plants.

## NATURAL GAS DISTRIBUTION

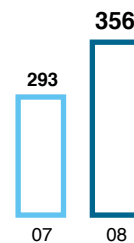
**Gas Malaysia** made a significant contribution to the Group with a PBT of RM356 million, an increase of 22% over the previous year. Revenue grew by 35% to RM1.9 billion, driven by a 5% rise in volume and a higher tariff which took effect from August 2008, which was meant to align the tariff with the market price over a ten-year period. The company's net profit of RM269 million, a 17% increase, is the highest ever recorded.

### Gas Malaysia

#### Revenue



#### PBT



RM million



AIRB's rectangular aerator at Parit Raja, Batu Pahat

Although Gas Malaysia is the sole supplier of natural gas to the non-power sector in the country, it is unable to take full advantage of this position due to the constraint in gas supply, which has persisted over the last few years. As a result, the company was unable to increase its industrial customer base, which made up 99% of Gas Malaysia's total sales volume in 2008.

Discussions are on-going with the relevant parties to resolve this gas supply issue. We are hopeful that with the availability of additional gas supply, Gas Malaysia is able to expand its customer base, hence improving its financial results in the future.

Gas Malaysia's financial position remains strong and the company is currently debt-free following the retirement of its debts last year. Despite the economic crisis, Gas Malaysia's performance is not likely to be significantly affected as the company has ready demand for natural gas from new customers.

## WATER CONCESSION

We completed the acquisition of **AIRB** in November 2008 following a successful general offer to AIRB's shareholders. MMC now owns 74.4% of AIRB, which supplies approximately 75% of Johor state's water consumption. Through its subsidiary, Southern Water Corporation, AIRB operates 14 water treatment plants under a concession agreement that runs until 2014. AIRB's 49% associate, Equiventures, operates two water treatment plants in the city of Johor Bahru under a concession agreement that runs until 2012.

The AIRB Group has outstanding gross trade receivables of RM548 million following the prolonged delay in payment by the Johor state government. AIRB is actively pursuing these outstanding receivables and we expect to receive partial repayment from the state government this year.

AIRB is an important acquisition for us as it adds another income stream to our utilities division. This acquisition also provides us a platform to expand our involvement in the water business, including extending our operations and management expertise in water treatment plants to other states in the country.



The double tracking railway project is an extension of the Rawang-Ipoh line, which is already double-tracked

# engineering & construction

## ENGINEERING SERVICES & CONSTRUCTION

**MMC-Gamuda Joint Venture**, our 50%-owned joint venture company, is currently undertaking the largest civil construction work in the country – the RM12.5 billion electrified double tracking railway project. Spanning 329 km from Ipoh to Padang Besar, the project commenced in January 2008 and is currently making excellent progress and has achieved 21% completion to-date, as scheduled.

The project is part of the government's master plan to enhance the country's public transportation system and is an extension of the railway system in the Klang Valley and the Rawang-Ipoh line, which is already double-tracked. With the completion of the project, our rail transportation system is expected to be more economical and competitive, and offer a safer alternative to highways.

For MMC, this project provides us with a strong income stream for the remaining five years. With the decline in the price of materials of major components, mainly steel and diesel, from its peak in mid-2008, we are confident of achieving a reasonable profit margin for this project.

Over the past 15 months, this project has created a huge multiplier effect in the local economy in terms of

employment and other business activities, particularly in the affected states of Perak, Kedah, Penang and Perlis. The economic spinoff from the whole project is estimated at RM15 billion across the four states.

This project is providing massive employment opportunities in a time of economic crisis. It has already created 7,000 jobs, 90% of them for the local population, and another 6,000 workers will be required over the next year, bringing the total number to 13,000 people at the peak of construction activity.

## POWER PLANTS AND INFRASTRUCTURE

**Zelan** is fast growing into a regional EPCC power plant contractor.

Zelan has an outstanding order book of RM2 billion comprising mostly international power plant and property construction projects. The company is currently building the RM2.1 billion 2 x 300 MW coal-fired power plant project in Rembang, Indonesia and carrying out onshore and offshore works for the RM900 million Shuqaiq power plant project in Saudi Arabia. Zelan is also building the RM280 million 45-storey Sidra hotel apartment tower and the RM796 million Meena Plaza projects in the United Arab Emirates.



The SMART motorway, which forms part of the SMART flood bypass tunnel

As Zelan's largest shareholder, MMC will support Zelan's project execution to ensure completion and delivery of all existing projects. We will also leverage on MMC Group's overseas presence to develop new overseas businesses for the company. Financially, Zelan has a strong balance sheet with zero net gearing which can be leveraged when competing for large EPCC projects domestically and overseas. We aim to enhance Zelan's shareholder value as the company enters into a new phase of management.

## SMART CONCESSION

Since commencing operations in May 2007, the **SMART** flood mitigation system has successfully diverted floodwater away from entering the city centre on numerous occasions. A unique feature of SMART is the double-decker motorway component - the 3 km middle section of the whole tunnel - which offers motorists quicker access to and from KL's business district even while other parts of the tunnel are being used to divert water. When required, the motorway is evacuated thus converting the entire tunnel into a water channel.

An average of 30,658 vehicles passed daily through the SMART motorway in 2008, enabling the company to achieve operational break-even. There has been a healthy increase in traffic this year and going by current projections, the company is expected to register a profit in 2012.

## OUTLOOK

Overall, we are encouraged by the performance of our businesses given the tough conditions that existed in the second half of 2008. Despite having significant provisions such as the windfall profit levy, MMC's net profit reduced by only 5% compared to the previous year. This resilient performance illustrates the strength and depth of the Group's portfolio of businesses. Sustaining our current performance will indeed be challenging given the deteriorating economic conditions and severe financial landscape.

Nevertheless, we will adapt to face these challenges and implement the appropriate strategies to suit the immediate requirements of our business while maintaining our long term goals. Efforts will be made to ensure all our business divisions continue to operate efficiently and generate the desired financial returns. We are committed to grow our business organically and through acquisitions, and the recent additions of AIRB and SATS are expected to become important contributors to the Group in the long term.

Looking at our Group now and the prospects of our future, we strongly believe that MMC's strengths and resilience will enable it to achieve its vision of becoming a premier global utilities & infrastructure group.

**Hasni Harun**  
CEO Malaysia  
April 2009

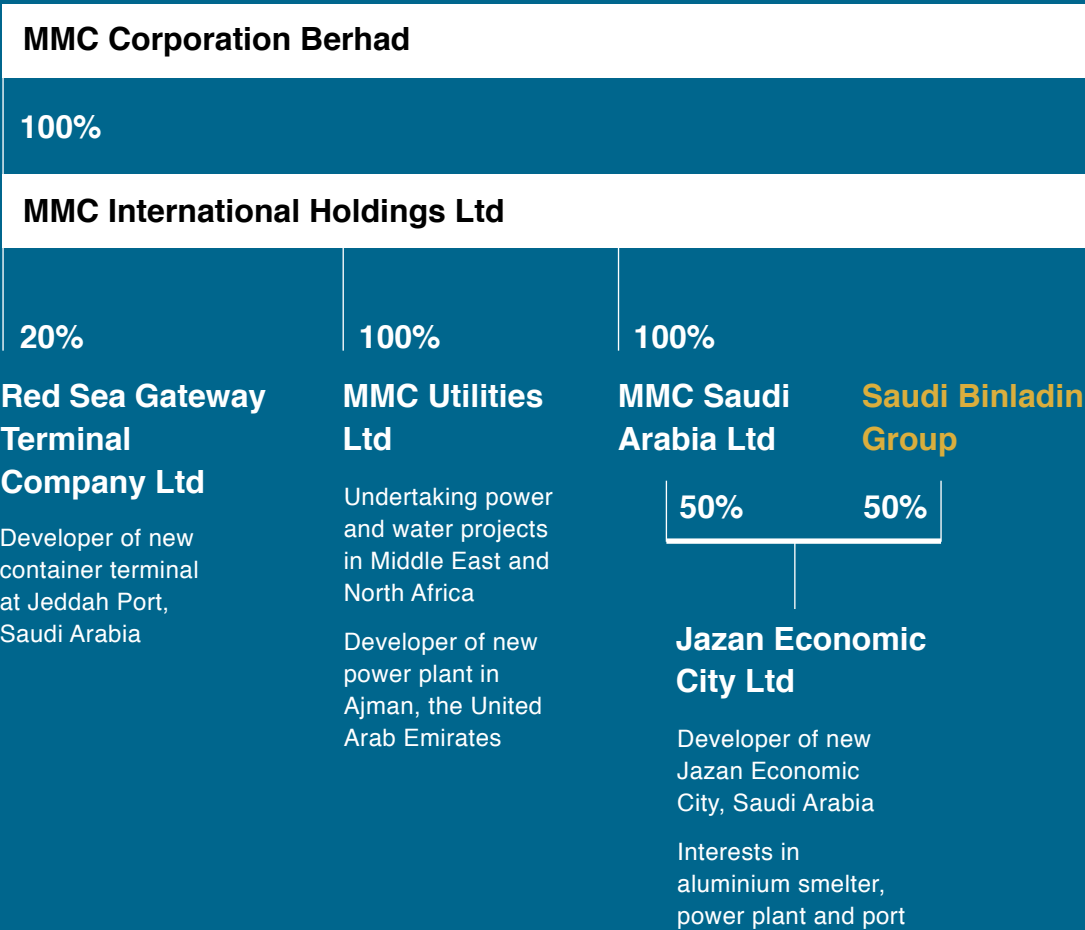
## international operations

In February 2008, the Group was reorganised into two divisions - MMC Malaysia and MMC International. This reorganisation was carried out to increase our focus on the international infrastructure and utilities projects secured over recent years, which we believe will be the Group's next area of growth. Significant progress has been achieved despite operating under challenging global economic conditions.



**Feizal Ali**  
CEO International

international operations - corporate structure





Construction of the new Red Sea Gateway Terminal at Jeddah Port, Saudi Arabia

## RED SEA GATEWAY TERMINAL

In 2007, we acquired a 20% equity interest in Red Sea Gateway Terminal. This acquisition enabled us to co-develop and operate the third container terminal at Jeddah Port in Saudi Arabia.

The construction of this container terminal commenced in January 2008 and the terminal is expected to begin operations with the first berth in the fourth quarter of 2009, earlier than previously scheduled. Once fully operational, this terminal will have a capacity of 1.5 million TEUs. This terminal is being built to world-class specifications as part of Jeddah Port's aim to enhance its capabilities to serve the new generation of ocean-going container ships.

Jeddah Port is centrally located along the Red Sea, close to the southern entrance of the Suez Canal, one of the world's most important international waterways, which handles over 30% of global container trade. As the largest and best equipped port closest to the southern entrance of the Suez Canal, Jeddah Port is well placed to take advantage of the container ships passing through the canal.

The Red Sea Gateway container terminal will be developed to cater to the underlying need for increased container handling facilities in Jeddah arising from

strong growth in the region. The new facility will offer accessibility to larger vessels up to 12,000 TEUs and a faster turnaround time to attract container lines. The terminal will also offer a best in class container terminal facility which will provide a direct outlet for the import/export business for Jeddah's hinterland and also attract hub and spoke and relay transshipment.

This project marks MMC's maiden involvement in ports outside Malaysia and our experience in developing and managing our existing ports will be constructive in ensuring the success of this terminal. We are positive that our investment in Red Sea Gateway will provide us with a healthy long-term recurring income.

## JAZAN ECONOMIC CITY

In December 2006, MMC was awarded rights to develop and manage the proposed JEC in Saudi Arabia together with the Saudi Binladin Group ("SBG"). JEC is envisioned to be a fully integrated and self-contained development nurturing non-oil based industries aimed at generating an alternative source of revenue for the Kingdom. Industries within JEC will benefit from electricity at a competitive tariff made possible by subsidised fuel oil.



The new JEC marketing complex was completed in December 2008

In November 2008, JEC announced that it had attracted US\$30 billion worth of investments, achieving its target in a span of just two years, well ahead of the 25-year timeframe envisaged during the project's launch.

Among the industries which will be set up in JEC include infrastructure projects, such as a port (US\$1.4 billion) and a power plant (ultimately US\$5 billion), primary industries, such as an aluminium smelter (US\$3.6 billion), a steel cluster (US\$2 billion) and an oil refinery (US\$12 billion), and secondary industries, such as steel (US\$500 million), automotive (US\$200 million) and shipbuilding (US\$900 million) industries.

#### **JEC's infrastructure development**

In November 2008, an agreement was signed for the development of a port within JEC which will be the catalyst for the Economic City's hinterland commercial activities. Work on the construction harbour is targeted to commence by the second half of the year.

A letter of intent was issued to CPI Power Engineering of China to kick start construction of a captive power plant for the aluminium smelter at JEC. The captive power plant will cost an estimated US\$2.5 billion and have a generation capacity of 2,400 MW and supply competitively-priced electricity to the adjoining aluminium smelter.

In addition, tenders are being evaluated for earthworks and the construction of major roads. An agreement has also been signed with local developers to build an integrated housing complex that would provide accommodation for JEC's construction workers.

A marketing complex in JEC was also built in December 2008. This complex will be utilised to provide marketing services to potential investors.

Apart from the above, JEC has also signed the following MOUs on non-industrial activities:

- MOU with Al Khabeer Capital to create a real estate fund of SR400 million for JEC's real estate developments;
- MOU with the Saudi Arabian General Investment Authority, CADRE Training City and Technical & Vocational Training Centre (government entities) to develop a 'Training City' in line with the Kingdom's aspirations on human resource development; and
- MOU with Pearl Continental Management LLC to develop a modern hotel within JEC.

#### **JEC's primary industries**

Ground work for the aluminium smelter, which will have an annual production capacity of approximately one million metric tonnes per annum, and a captive power plant project, has started with soil investigation work.



An artist's impression of the JEC oil refinery

Survey work for the site of the integrated steel complex has been completed and construction of the billets and rebars plant is expected to start in the second half of this year. The plant will have a capacity of one million tonnes per annum.

In September 2008, the Saudi Arabian Ministry of Petroleum issued a request for proposals for the development of an oil refinery in JEC which will close in September this year. The oil refinery will have a capacity of between 250,000 and 400,000 barrels per day and is expected to be completed in 2015.

#### **JEC's new investments**

JEC has also attracted new investments in steel, automotive and shipbuilding industries, which are presently not prevalent in Saudi Arabia.

Hebei Iron and Steel Group, China's largest and the world's fifth largest steelmaker, together with Pan Kingdom Investment, will develop a US\$500 million integrated steel complex at JEC. The complex is envisaged to include an iron ore trading hub with a capacity of 25 million tonnes per annum, a pelletizing plant with a capacity of 6 million tonnes per annum and a slab and bloom plant with a capacity of 2 million tonnes per annum.

DRB-Hicom, Malaysia's leading automotive manufacturer and distributor, together with SBG and JEC Ltd, plan to set up Saudi Arabia's very first automotive assembly and manufacturing plant for light and heavy vehicles.

JEC also plans to establish a US\$900 million shipbuilding and repair center in JEC, which is in close proximity to the heavy shipping traffic plying the busy Red Sea and Suez Canal route.

The implementation of our projects will be staggered taking into account the prevailing economic environment. However, we are investing in Saudi Arabia with a long term outlook and our interests in the port, power plant and aluminium smelter projects will provide us with sustainable income once the projects are completed with the eventual recovery of the global economy.

#### **AJMAN IPP PROJECT UNITED ARAB EMIRATES**

In July 2008, MMC Utilities ("MMCU") was awarded rights by the Government of Ajman, United Arab Emirates to develop an independent power plant in Ajman under a 20-year build, operate and transfer concession.



An artist's impression of JEC

This project follows the Group's successes in recent years in acquiring interests in power and water projects in Saudi Arabia, Oman, Jordan and Algeria.

The initial proposal and agreement with the Government of Ajman called for a 1,000 MW power plant utilising imported coal. However, given the current economic environment and lower than expected demand for real estate projects, the Government of Ajman is considering commencement of the project with an initial capacity of 350 MW.

MMCU is working closely with the Government of Ajman to determine the most suitable power generation technology which will meet its electricity demands. The project is scheduled to be completed by 2013.

## OUTLOOK

MMC International will continue to build upon the strong foundation of the Group's activities and will pursue available opportunities in our core businesses. However, we are facing a challenging year ahead given the state of the global economy. The banking industry

has not stepped up its project financing activities and to the extent that this is not forthcoming in the later half of the current year, we will have to reevaluate the project economics of a delayed start up. Given that our projects are in the early developmental stage, especially JEC and Ajman IPP, sufficient flexibility exists to incorporate modest delays.

Despite the current uncertainties, we remain fully confident that we can sustain and overcome the current global turmoil. Whilst there are ample opportunities available in the international arena, we continue to be cautious in evaluating such opportunities with a view to optimise the risk/reward ratio and produce superior returns for shareholders.

We will continue to leverage on our track record to strengthen our international footprint in core business sectors.

**Feizal Ali**  
CEO International  
April 2009

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

**Hasni Harun**  
CEO Malaysia

**Feizal Ali**  
CEO International

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



# board of directors

Dato' Abdullah  
bin Mohd Yusof

Halim Haji Din

Ahmad Jauhari  
bin Yahya

Ooi Teik Huat

Datuk Mohd Sidik  
Shaik Osman



# profile of directors



Dato' Wira  
Syed Abdul  
Jabbar bin  
Syed Hassan

Chairman



Feizal Ali

CEO International

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, 69, was appointed as a non-independent, non-executive Chairman of the Company on 7 July 2000. Dato' Wira Syed Abdul Jabbar also chairs the nomination, remuneration and executive committees of the board.

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

Dato' Wira Syed Abdul Jabbar is a Malaysian citizen and holds a Bachelor of Economics degree and a Masters of Science degree in Marketing. He is also the Chairman of MARDEC Berhad, Padiberas Nasional Berhad, Tradewinds Plantation Berhad, Tradewinds (M) Berhad and a board member of Star Publications (Malaysia) Berhad and KAF Discounts Berhad.

Encik Feizal Ali, 47, was appointed to the board on 24 March 2004 and assumed the position of Chief Executive Officer International on 1 March 2008. He is also a member of the executive committee of the board.

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 in March 2004 and Group Chief Executive in September 2006, before assuming the role of CEO International in March 2008. Prior to joining MMC, he was the Vice President-Finance of Commerce Dot Com Sdn Bhd (1999-2001), Chief Financial Officer of Pelabuhan Tanjung Pelepas Sdn Bhd (1996-1999) and General Manager, Finance of Prolink Development Sdn Bhd (1994-1996).

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

Encik Feizal sits on the boards of MMC International Holdings Ltd, Jazan Economic City Land Ltd, Red Sea Gateway Terminal Ltd, MMC Saudi Arabia Ltd and MMC Utilities Ltd. He is also a board member of Malakoff Berhad.

Encik Feizal is a Malaysian citizen and 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.



Hasni Harun

CEO Malaysia

Encik Hasni Harun, 51, was appointed as Chief Executive Officer Malaysia and a board member on 1 March 2008. He is also a member of the executive committee.

Encik Hasni Harun is a member of the Malaysian Institute of Accountants. He holds a Masters degree in Business Administration from United States International University, San Diego, California and a Bachelor of Accounting (Honours) from University of Malaya.

Encik Hasni Harun held several senior positions in the Accountant General's Office from 1980 to 1994. He was the Senior General Manager of the Investment Department at the Employees Provident Fund from 1994 to 2001, and the Managing Director of RHB Asset Management Sdn Bhd from 2001 until 2006. He then joined DRB-HICOM Berhad as Group Chief Financial Officer until 2006 and joined MMC as the Group Chief Operating Officer in January 2007 until February 2008, prior to his appointment as Chief Executive Officer Malaysia.

Encik Hasni is a Malaysian citizen and also sits on the boards of IJM Corporation Berhad, Zelan Berhad, Aliran Ihsan Resources Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad and several private limited companies.

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



Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob, 67, joined the board on 26 August 1999 as a non-independent, non-executive director and is a member of the audit and remuneration committees of the board.

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 Brighton College of Technology, United Kingdom. He is a Fellow of the following institutions: Chartered Institute of Buildings (U.K.), Institute of Highways & Transportation (U.K.), Institute of Civil Engineers (U.K.), 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, Northport Corporation Berhad and Bank of America Malaysia Berhad.



Dato'  
Abdullah  
bin Mohd  
Yusof



Halim  
Haji Din



Ooi  
Teik Huat

Dato' Abdullah bin Mohd Yusof, 70, joined the board on 31 October 2001. He is a member of the audit and nomination committees and is the senior independent director 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 Aeon Credit Service (M) Berhad, and a board member of Tradewinds Corporation Berhad and Zelan Berhad.

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

Encik Halim Haji Din, 62, was appointed to the board as an independent director on 10 September 2002. He is also the Chairman of the audit committee and a member of the nomination committee.

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 – 6 years of which as a board member of Caltex/Chevron, responsible for financial management 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, he with two partners took over the consulting business of Cap Gemini Ernst & Young Malaysia and rebranded it as Innovation Associates, currently known as The IA Group, where he is currently the Group Managing Director.

Encik Halim is also an independent member of the board of other public companies which include Wah Seong Corporation 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.

Encik Ooi Teik Huat, 49, was appointed to the board as an independent director on 22 May 2008. He is also a member of the audit committee.

Encik Ooi holds a Bachelor Degree in Economics from Monash University, Australia. He began his career with Messrs. Hew & Co (now known as Messrs. Mazars) in 1984, before joining Malaysian International Merchant Bankers Berhad (now known as MIMB Investment Bank Berhad) in 1989 and subsequently Pengkalen Securities Sdn Bhd (now known as PM Securities Sdn Bhd) in 1993. He is currently a director of Meridian Solutions Sdn Bhd.

Encik Ooi is a Malaysian citizen and also sits on the boards of Johor Port Berhad, Tradewinds Plantation Berhad, DRB-Hicom Berhad, Edaran Otomobil Nasional Berhad and Tradewinds (M) Berhad.



**Datuk Mohd  
Sidik Shaik  
Osman**

Datuk Mohd Sidik Shaik Osman, 60, was appointed to the board as a non-independent, non-executive director on 23 January 2003 and is a member of the remuneration and executive committees.

Upon graduation, Datuk Mohd Sidik served as Assistant Secretary, Ministry 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 as director of PTP and in the following year was promoted to Executive Director. 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 and a board member of Johor Port Berhad.

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



**Ahmad  
Jauhari bin  
Yahya**

Encik Ahmad Jauhari Yahya, 54, was appointed to the board as a non-independent, non-executive director on 23 May 2007.

Encik Ahmad Jauhari is currently the Managing Director/ Chief Executive Officer of Malakoff Corporation Berhad, a position he held since May 2007. From 1977 to 1979, he worked with ESSO Malaysia Berhad before joining The New Straits Times Press (M) Berhad ("NSTP") as an Electrical and Electronic engineer. He was subsequently Engineering Manager (1982), Production and Technical Director (1983), and then Senior Group General Manager, Production and Circulation (1990).

In 1992, he moved to Time Engineering Berhad as Deputy Managing Director, and in the same year was promoted to Managing Director. In 1993, he joined Malaysian Resources Corporation Berhad ("MRCB") as Managing Director, before resigning a year later to take on the post of Managing Director of Malakoff Berhad while remaining a director of MRCB. In July 1999, he was appointed a director of NSTP and subsequently, the Executive Vice-President of MRCB in February 2000. In July 2000, he resigned from his executive presidency at MRCB as well as the directorships at MRCB and NSTP. In 2007, Encik Ahmad Jauhari resigned as Managing Director of Malakoff Berhad while still remaining a member of its board.

He sits on the boards of Malakoff Berhad, Malakoff Corporation Berhad, Port Dickson Power Berhad and Aliran Ihsan Resources Berhad, and is the Honorary Vice President of Penjanabebas (Association of Independent Power Producers, Malaysia).

Encik Ahmad Jauhari is a Malaysian citizen and holds a Bachelor of Science (Honours) degree in Electrical and Electronic Engineering from the University of Nottingham, United Kingdom.

# management team



from left

**Anwar Syahrin Ajib**

Chief Financial Officer

**Hasni Harun**

Chief Executive Officer Malaysia

**Dr. Mabel Lee Khuan Eoi**

Senior General Manager, Corporate Planning

**Feizal Ali**

Chief Executive Officer International

**Yoong Nim Chee**

Director, Corporate Affairs

**Azlan Shahrim**

Senior General Manager, Corporate Services



from left

**Zainudin Ismail**

General Manager, Human Resource

**Azharuddin Nordin**

General Manager, Investor Relations & Business Development

**Elina Mohamed**

Group Legal Advisor

**Ahmad Aznan Mohd Nawawi**

General Manager, Corporate Secretarial

**Vincent Chiu Huo Siong**

General Manager, Contract Management & Procurement

**Shahrir Shariff**

Director, Projects Development, International

# audit committee report



Halim Haji Din  
Chairman

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

Dato' Abdullah  
bin Mohd Yusof

Ooi Teik Huat

The audit committee comprises four non-executive directors, three of whom are independent, and is chaired by Encik Halim Haji Din, an independent director.

## MEETINGS

Meetings are scheduled at least four times a year, and are normally attended by the Chief Executive Officers, Director, Corporate Affairs, the internal auditor and upon invitation, the external auditors and internal audit consultant. Other board members may also attend meetings upon the invitation of the audit committee. Last year, the audit committee met twice with the external auditors in the absence of management. The auditors, both internal and external, may request additional meetings if and when considered necessary.

The Company Secretary acts as secretary to the audit committee. Minutes of each meeting are distributed to each board member and 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 and the external auditors attended all of these meetings. The internal audit consultant, Ernst & Young, tabled to the audit committee operational audit reports on audits which were 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 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 & TERMS OF REFERENCE

- Consider the appointment of external and internal auditors, audit fees and any questions of resignation or dismissals, and inquire into the staffing and competence of the external and internal auditors in performing their work.
- 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.
- Discuss the impact of any changes in accounting principles or standards on financial statements.
- Review the results of the operational audit reports and monitor the implementation of any recommendations made therein.
- Review the quarterly results and annual financial statements before submission to the board, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments resulting from the audit;
  - the going concern assumptions;
  - compliance with accounting standards; and
  - compliance with regulatory requirements.
- 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).
- Review the external auditor's management letter and management's response.
- Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.

- Review the internal audit programme, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the internal and external auditors.
- Review any appraisal or assessment of the performance of members of the internal audit function.
- Approve any appointment or termination of senior staff members of the internal audit functions.
- Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- Keep under review the effectiveness of internal control systems and in particular review the external auditor's management letter and management's response.
- Review any related party transactions that may arise within the Group.
- Where the audit committee is of the view that a matter reported by it to the board of directors has not been satisfactorily resolved resulting in a breach of the listing requirements, the audit committee must promptly report such matter to Bursa Malaysia.
- Review audit reports of subsidiaries after they have been reviewed by the audit committee or board of directors of those subsidiaries.
- 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.
- Disclose details of the activities of the audit committee, the number of audit meetings held in a year, details of attendance of each director in respect of meetings and details of relevant training attended by each director.
- Carry out such other assignments as defined by the board.

## INTERNAL AUDIT FUNCTION

The internal audit function is carried out by Ernst & Young, to whom the function has been outsourced since February 2004. 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 the internal audit covers the audits of all business units and operations, including head office functions. The Group practices 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.

For the financial year 2008, the total cost of the internal audit function was RM712,601.

## INTERNAL AUDIT ACTIVITIES

A summary of the Group's internal audit function during the last 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 action has been taken and is achieving the desired results.

## SUMMARY OF ACTIVITIES

A summary of the main activities performed by the audit committee last year is as follows:

- Reviewed and approved the internal audit plan for 2009. 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 audit committee meetings of Malakoff Corporation Berhad, Gas Malaysia Sdn Bhd, Pelabuhan Tanjung Pelepas Sdn Bhd and Johor Port Berhad.
- 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 appropriate recommendations.
- Reviewed and appraised the adequacy and effectiveness of management response in resolving the audit issues reported.
- Reviewed the adequacy of the scope, functions, competences and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Held discussions with the external auditors without the presence of management to ensure an adequate level of cooperation between the external auditors and management.
- Reviewed the processes and investigations undertaken by Ernst & Young and the internal auditor, the audit findings and risk analysis on each audit assignment and emphasised on follow-up audits to ensure that appropriate corrective action is taken and audit recommendations are implemented.
- Reviewed related party transactions to ensure that they are fair and reasonable to, and are not to the detriment of, minority shareholders.
- Reviewed the draft Annual Report for 2007 in respect of the following:
  - Audit Committee Report;
  - Corporate Governance Statement; and
  - Statement on Internal Control.
- Reviewed and recommended actions on specific internal audit investigations.

## EMPLOYEES' SHARE OPTION SCHEME

There is no employee share option scheme for the audit committee to review and verify.

# statement on corporate governance

Sound corporate governance ensures the Company's continued high performance and integrity while retaining the trust of stakeholders. Maintaining effective corporate governance is therefore a key priority for the board, and is achieved through implementing the principles and best practices of the Malaysian Code on Corporate Governance ("the Code").

## DIRECTORS

### The board

The Company is led by a board of directors which is responsible to the shareholders for the management of the Company. The board has the ultimate and overall responsibility for corporate governance and the Company's overall strategic direction 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 compared against those budgets. A total of nine board meetings were held in 2008 and all directors attended more than half of these meetings.

There is a distinct and clear division of responsibility between the Chairman and the Chief Executive Officers ("CEOs") to ensure there is a balance of power and authority. The roles of the Chairman and the CEOs are kept separate where the Chairman is responsible for ensuring board effectiveness and conduct and the CEOs have

the overall responsibility for the day-to-day management of Company. The CEOs are also responsible for the implementation of the board's policies and decisions. The board continues to carry out the principal stewardship responsibilities which it explicitly assumed in 2002, as prescribed by the Code.

### Board balance

At least one third of the board consists of independent directors with expertise and skills from various fields. Currently, three out of nine board members are independent directors who bring an independent judgment on issues of strategy, performance and resources of the Group. The presence of these independent directors fulfills a pivotal role of corporate accountability. They provide unbiased and independent views, advice and judgment to take account of the interests of the Group, shareholders, employees and any party with whom the Group conducts business.

Overall, the board comprises a good mix of members with diverse academic backgrounds to provide a collective

range of skills, expertise and experience relevant to and to support the growth of our businesses.

The interests of major shareholders are reflected fairly by the representation of their nominees on the board. The Chairman encourages healthy debate on important issues and promotes active participation by board members. Dato' Abdullah bin Mohd Yusof is the senior independent director to whom the board members' concerns may be conveyed.

The board plays an important role in the development of Group policy and its seven non-executive directors oversee the Company and the management. The board's four committees comprise non-executive directors, except for the executive committee, which includes the CEOs. There is an adequate degree of independence, and directors meet and actively exchange views to ensure that the board can effectively assess the direction of the Company and the performance of its management.

### **Supply of Information**

The board 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 in the appropriate quality to enable the directors to discharge their duties effectively, and due notice is given to directors with regard to issues to be discussed. The quality and manner in which information is provided to the board is reviewed annually as part of the board's evaluation process. Resolutions are properly recorded and minutes of proceedings of meetings are

circulated to directors for comments before they are confirmed. Directors are also notified of any corporate announcements released to Bursa Malaysia.

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 the furtherance of their duties. There is an agreed procedure in place for directors to acquire independent professional advice to ensure that the board functions effectively. All directors have access to the advice and services of company secretaries whose appointment and removal is a matter for the board as a whole. The company secretaries advise both the directors and management, on statutory, regulatory and corporate development, the implementation of corporate governance measures and compliance as applicable to the Group. They are also responsible for ensuring that board procedures are followed.

### **Appointments to the board**

The appointment of new directors to the board is made by the full board upon the recommendation of the nomination committee. Last year the committee recommended the appointment of Encik Ooi Teik Huat as an independent director to fulfill the requirement to have the required number of independent directors on the board. The requirement to increase the number of independent directors on the board from two to three arose with the appointment of Encik Hasni Harun as CEO Malaysia and a director of the company. The committee had also recommended Encik Ooi Teik Huat to be appointed a member of the audit committee.

## DIRECTORS' TRAINING

All directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia. Last year, all directors attended at least one training session, either organised internally by the Company or externally, including the following:

- 1) Update on Liability Insurance Cover and Claims Against Directors & Officers / IJM Corporation Berhad
- 2) The Boardroom Affairs and Its Functions / Lingkaran Trans Kota Holdings Berhad
- 3) Single-Tier Tax System / KPMG
- 4) Governance and University Boards / Ministry of Higher Education Malaysia
- 5) Research & Development Approaches & Management for Young Scientists / Academy of Science Malaysia
- 6) Economic Capital & Performance Management under Basel II / Bank of America
- 7) Financial Statements for Directors and Senior Management / IJM Corporation Berhad
- 8) Conference on Strategic Negotiations for Directors and Senior Executives / Harvard Club of Malaysia
- 9) Effective Chairman / Bursatra Sdn Bhd
- 10) Directors' Duties and Liabilities "Gaining Competitive Advantage Through Effective Corporate Governance" / Northport (Malaysia) Berhad
- 11) Introduction to Foreign Exchange / KAF Investment Bank Berhad
- 12) Fundamental Principles of Deferred Taxation / Bursatra Sdn Bhd
- 13) Latest Emerging Issues for Public Companies / Epsilon Advisory Services Sdn Bhd
- 14) Directors' Duties, Liabilities & Governance Reform 2008 / Marcus Evans
- 15) Directorship : Independent vs. Executive / Bursatra Sdn Bhd
- 16) Directors & Group Management Workshop / Columbus Circle

### Re-election

The Company's Articles of Association provide that all directors should submit themselves for re-election at least once every three years, in compliance with the requirements of Bursa Malaysia. The Articles of Association also provide that one-third of the board shall retire from office every year and shall be eligible for re-election at every AGM. This affords shareholders the opportunity to review directors' performance and also promotes effective boards.

## DIRECTORS' REMUNERATION

### The Level and Make-up of Remuneration

The board as a whole reviews the level of remuneration of directors to ensure that it is sufficient to attract and retain the directors needed to lead the Company to success. The level of remuneration also needs to reflect the experience and level of responsibilities undertaken by the directors.

### Procedure

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. In discharging this duty, the remuneration committee evaluates the executive directors' performance against the objectives set by the board, thereby linking their remuneration to performance. The remuneration of non-executive directors is reviewed by the board as a whole, to ensure that it is aligned to market and to their duties and responsibilities.

## Disclosure

The fees payable to non-executive directors are approved by shareholders at the AGM based on the recommendation of the board. The aggregate remuneration of the directors categorised into the appropriate components are as follows:

| Category                | Fees (RM) | Salaries and emoluments (RM) | Meeting & other allowances and defined contribution plan (RM) | Benefits in kind (RM) |
|-------------------------|-----------|------------------------------|---|-----------------------|
| Executive Directors     | -         | 3,968,567                    | 547,583   | 232,832               |
| Non-Executive Directors | 518,253   | -                            | 214,798   | 35,200                |

The remuneration paid to the directors within the following bands is as follows:

| Amount of Remuneration     | Number of Executive Directors | Number of Non-Executive Directors |
|----------------------------|-------------------------------|-----------------------------------|
| Less than RM50,000         | -                             | 1*                                |
| RM50,000 to RM100,000      | -                             | 4                                 |
| RM100,001 to RM150,000     | -                             | 1                                 |
| RM150,001 to RM300,000     | -                             | 1                                 |
| RM1,650,000 to RM3,000,000 | 2                             | -                                 |

\* A director was appointed on 22 May 2008

## SHAREHOLDERS

### Dialogue between the Company and Investors

The Company continues to meet with research analysts, fund managers and institutional investors, from both the local and international investment community through one-on-one meetings as well as through participation in investment conferences.

MMC's objective is to give investors the best information possible so that they can accurately apply it to evaluate the Company. Relationships with the investment community are built on integrity, qualitative and timely information and management's ability to deliver on its promises. Communication is a two-way process - we seek to understand the attitudes of investors towards the Company, and relay this feedback to management for any follow up action.

The Company's website continues to be an integral source of information for investors and is updated constantly to incorporate the latest news about MMC.

MMC's half-year analyst briefing





## 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 business. Each item of special business 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.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The board subscribes to the philosophy of transparent, fair, reliable and easily comprehensible reporting to stakeholders. The board acknowledges and accepts full responsibility for preparing a balanced and comprehensive assessment of the Group's operations and prospects each time it releases its quarterly and annual financial statements to shareholders.

In preparing last year's financial statements, the directors have:

- used appropriate accounting policies and applied them consistently;
- ensured that all the requirements of Malaysian Accounting Standards Board'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 to prevent and detect fraud and other irregularities.

### Internal Control

The board is responsible for reviewing the adequacy and integrity of the Company's internal control system. The board ensures that the Company has appropriate policies and procedures, a risk management system, financial authority limits, as well as internal audit 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.

### 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.

## BOARD COMMITTEES

The board has four standing committees, each operating within defined terms of reference, to assist the board in discharging its responsibilities. The minutes of proceedings of each committee meeting are circulated to all board members so that all directors are aware of the deliberations and resolutions made. Where applicable, committees report their decisions to the board and present their recommendations for the board's approval. During the year the board revised the terms of reference of the audit and nomination committees to be in line with the revised Code.

The executive committee comprises two executive directors and two non-executives directors. The committee is responsible for strategic and operational plans which fall within their level of authority. Meetings are scheduled monthly except during months when board meetings are held. This will allow matters that fall within the committee's terms of reference to be deliberated and decided by the committee, thus reducing the board's agenda.

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 size, balance and structure of the board. It also reviews the size and composition of the board to ensure that it consists of the best mix of talents most effective to run the company.

In addition, the nomination committee 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 remuneration committee comprises three non-executive directors and considers the remuneration of the executive directors. The committee meets at least once a year 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.

Details on the audit committee appear in the audit committee report which appears on pages 42 to 45 of this annual report.

## BOARD AND COMMITTEE MEETINGS

Set out below is the attendance record of members for board and committee meetings for 2008:

| Name   | Board | Audit committee | Nomination committee | Remuneration committee | Executive committee |
|--|-------|-----------------|----------------------|------------------------|---------------------|
| 1 Dato' Wira Syed Abdul Jabbar bin Syed Hassan                 | 9/9   | -               | 3/3                  | 2/2                    | 3/3                 |
| 2 Encik Feizal Ali   | 7/9   | -               | -                    | -                      | 2/3                 |
| 3 Encik Hasni Harun*   | 7/7   | -               | -                    | -                      | 3/3                 |
| 4 Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob | 8/9   | 4/4             | -                    | 2/2                    | -                   |
| 5 Dato' Abdullah bin Mohd. Yusof                               | 8/9   | 4/4             | 3/3                  | -                      | -                   |
| 6 Encik Halim bin Haji Din                                     | 8/9   | 4/4             | 2/3                  | -                      | -                   |
| 7 Datuk Mohd Sidik Shaik Osman                                 | 6/9   | -               | -                    | 2/2                    | 3/3                 |
| 8 Encik Ahmad Jauhari bin Yahya                                | 8/9   | -               | -                    | -                      | -                   |
| 9 Encik Ooi Teik Huat^   | 5/5   | 1/2             | -                    | -                      | -                   |

Encik Hasni Harun was appointed as a board and executive committee member effective 1 March 2008. All directors attended more than 50% of the meetings held in 2008.

### Notes

\* Number of meetings attended from 1 March 2008 onwards, the date he was appointed director

^ Number of meetings attended from 22 May 2008 onwards, the date he was appointed director

# internal control statement

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

Our two associate companies, Zelan Berhad and Integrated Rubber 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 have to comply with this reporting requirement in their own right.

## **GROUP RISK MANAGEMENT FRAMEWORK**

The Group's 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 governance, takes a serious view of ensuring that the Group is always alert to any situation that might affect its assets, income and ultimately, profits.

## **ENTERPRISE RISK MANAGEMENT**

The Group's risks are monitored and updated constantly by their risk owners via the Enterprise Risk Management ("ERM") risk register. The data contained in the ERM risk register will then be checked and reviewed by the management of individual subsidiaries, the ultimate risk owners.

The internal audit department extracts from the ERM risk register, 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 reports and submitted to the Director, Corporate Affairs and the Chief Executive Officer Malaysia 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 in anticipating and controlling crisis situations and to establish an emergency response team, who would execute the plan to ensure minimal 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 computer services.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

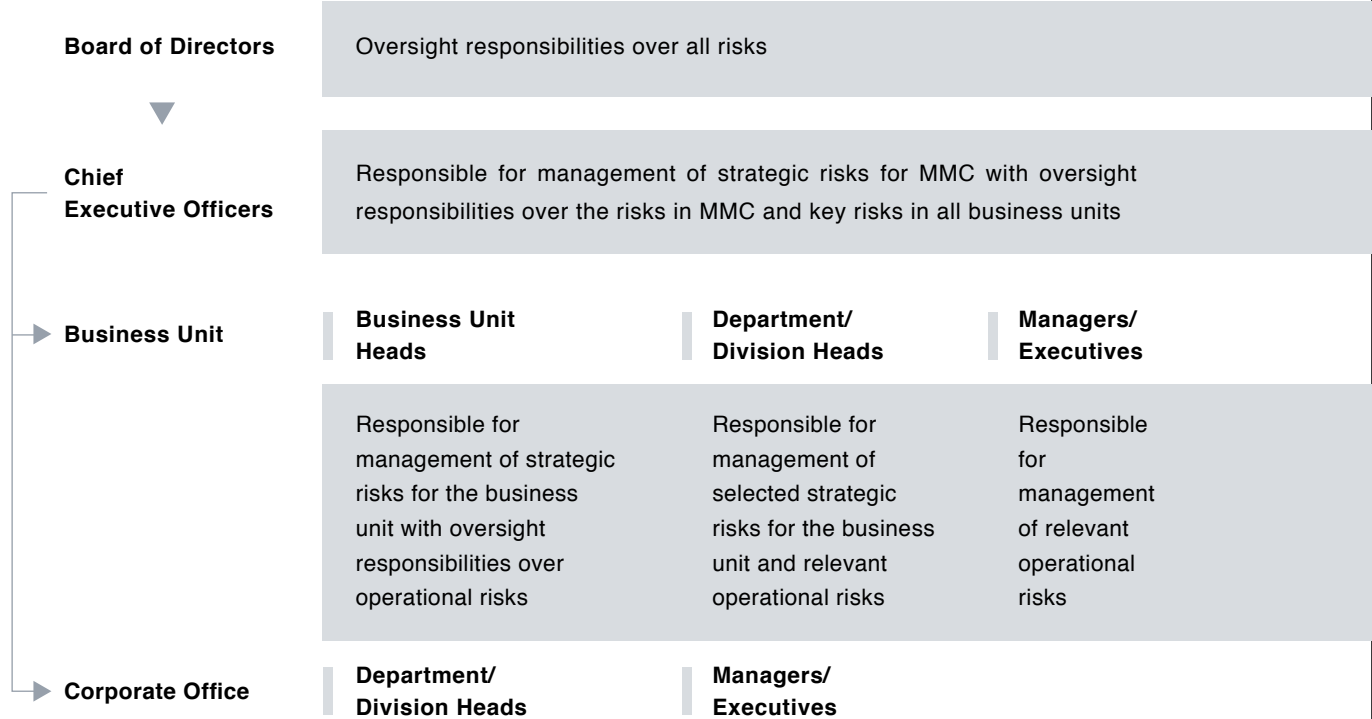
- Clearly defined delegation of responsibilities to board committees and to the management of head office and companies within the Group, including financial authority limits.
- Where appropriate, certain companies have ISO 9001: 2000 and ISO 14001 accreditations for operational processes.
- Review of proposals for material capital and investment acquisitions by the executive committee before review and approval by the board.

- A budgeting process where companies prepare budgets every year, for approval at company level, before being 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 MMC has 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 of improvement.
- The audit committee, on behalf of the board, considers the effectiveness of the operation of the Group's internal control procedures.
- The risk management framework of the Group is in place together with the ERM risk register to assist in the Group's risk management process.
- The implementation of an Enterprise Resource Planning System for the Group has also increased the quality of controls over its general operations. The system will also help to ensure 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 internal control weaknesses identified during the period have been addressed.

# 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.

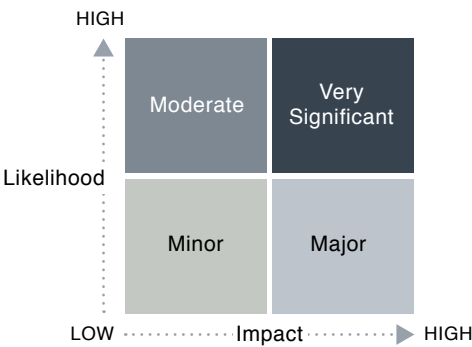


GROUP RISK MANAGEMENT POLICY

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.

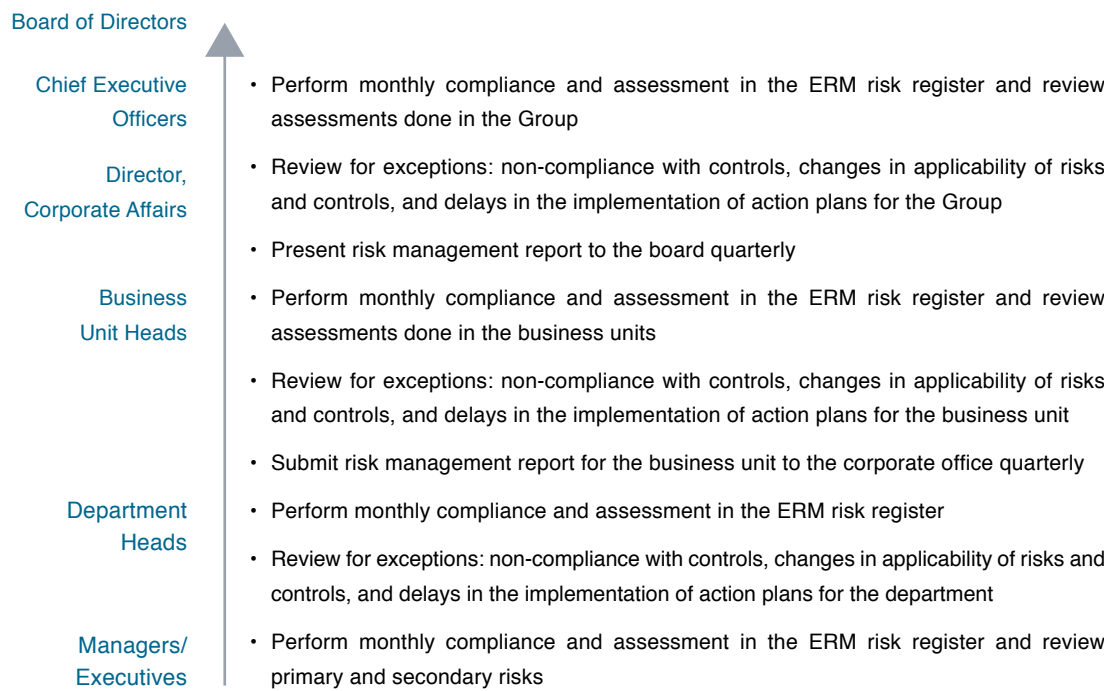
RISK IDENTIFICATION PROCESS AND ANALYSIS

The Group defines risk as any event which may impact its objectives, including economic, reputation and compliance objectives. It is measured in terms of likelihood and consequences. Business risks arise as much from the likelihood of lost 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.



MONITORING AND REPORTING PROCESS

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



# additional compliance information

## **Conflict of Interest**

None of the directors have any family relationship with other directors or major shareholders of the Company.

None of the directors have any conflict of interest with 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**

During the financial year, no options, warrants or convertible securities were issued by the Company.

## **American Depositary Receipt (“ADR”) or Global Depositary Receipt (“GDR”) Programme**

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

## **Impositions of Sanctions / Penalties**

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

## **Non-audit fees**

The amount of non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year by the Company’s auditors, or a firm or company affiliated to the auditors’ firm amounted to RM2,306,000.

## **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 of the Company and its subsidiaries involving directors' and major shareholders' interest 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:

Share Purchase Agreement between MMC, Semarak Restu Sdn Bhd ("SRSB") and Suria Kemboja Sdn Bhd ("SKSB") (SRSB and SKSB are collectively referred to as " Vendors") dated 4 August 2008 (as amended by the Supplemental Share Purchase Agreement dated 5 December 2008)

MMC had on 4 August 2008 entered into a conditional Share Purchase Agreement with the Vendors (as amended by the Supplemental Share Purchase Agreement dated 5 December 2008) for the proposed acquisition of 2,000,000 ordinary shares of RM1.00 each in Senai Airport Terminal Services Sdn Bhd ("SATS"), representing the entire issued and paid-up capital of SATS for a purchase consideration of RM1,700,000,000 to be fully satisfied in cash ("Proposed Acquisition") upon the terms and conditions set out therein. In a letter dated 16 January 2009, the parties to the Share Purchase Agreement mutually agreed to revise the terms of the Share Purchase Agreement whereby the funding for the Proposed Acquisition will also include bank borrowings.

The substantial shareholders of SKSB namely Ahmad Zaed bin Saleh Hamdi and Zainal Rashid Bin Ab. Rahman are persons connected to Tan Sri Datuk Seri Syed Mokhtar Shah bin Syed Nor, a major shareholder of MMC via Indra Cita Sdn Bhd and Seaport Terminal (Johore) Sdn Bhd. In view of the above, the Proposed Acquisition is deemed a related party transaction.

Datuk Mohd Sidik bin Shaik Osman is the representative of Seaport Terminal (Johore) Sdn Bhd on the board of MMC. As such, he is deemed interested in the Proposed Acquisition.

Dato' Abdullah bin Mohd Yusof, a director of MMC, is the brother of Dato' Ismail bin Yusof, a substantial shareholder of SRSB. As such, he is deemed interested in the Proposed Acquisition.

### **Contract Relating to Loan**

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

### **Revaluation of Landed Property**

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

# corporate social responsibility

We believe fulfilling our corporate social responsibility (“CSR”) is integral to our operations. We are committed to CSR as a sustainable approach to business to achieve mutual benefits with our stakeholders as well as for the development of society.

We support humanitarian, social and educational causes and contribute towards the well-being of society at large. CSR and business excellence are mutually collaborative - being financially able allows us to contribute to society, and operating responsibly contributes to our financial success.



## YOUTH & EDUCATION

As part of our efforts to nurture young minds, MMC sponsored 15 schools in Melaka under the New Straits Times' School Sponsorship Programme. This follows our sponsorship of schools in Pahang during the previous year. This educational programme aims to promote the use of English and inculcate the reading habit among the young. Selected schools each receive 20 copies of the New Straits Times newspaper daily.

Through our subsidiaries, we continue to organise educational activities involving the adoption of schools, English language tuition classes and motivational programmes for UPSR, PMR and SPM students in rural areas where our companies operate.



## SOCIAL & HUMANITARIAN

We continued to support various social and humanitarian causes. We participated in the Kuala Lumpur Rat Race 2008 and played our small part in helping Bursa Malaysia and The Edge raise RM1.3 million for 20 charities.

MMC Group was also involved in blood donation drives and charitable sports events such as the Charity Ride 2008, University Duathlon Series, Malakoff KL Run and Powerman Malaysia. We also continued to make humanitarian contributions to organisations such as PERKIM, the Grace Dialysis Centre and Persatuan Kriket Malaysia.

## ENVIRONMENT

We continued efforts to conserve the Sungai Pulai estuary in Johor. Through our subsidiary, PTP, we worked closely with the Malaysian Nature Society of Johor on various conservation projects along the estuary. In 2008, two expeditions were organised to Merambong Island to map sea grass and catalogue various marine species.



# highlights of the year

08

29 April 2008

## PTP & MISC Seal Deal

PTP and MISC signed an agreement to set up a joint venture company to serve MISC and other shipping lines. PTP will own 70% of the company while MISC will own 30%. MISC is now the third major shipping line to use PTP as its regional hub following Maersk and Evergreen's move to PTP in 2000 and 2002 respectively. This deal would contribute towards PTP's rapid growth and enhance the port's connectivity by at least 20%.

17 July 2008

## MMC International Wins Exclusive Rights For UAE Power Plant

MMC Utilities signed an agreement with the Government of Ajman, UAE which gave the company rights to co-develop an independent power plant in Ajman under a 20-year build-operate-transfer concession. This project strengthened our presence in the MENA region, following our successes in power and water projects in Saudi Arabia, Oman, Jordan and Algeria.





**4 August 2008**

**MMC announces acquisition of Senai Airport Terminal Services and Aliran Ihsan Resources**

MMC announced its plan to acquire the entire stake in SATS and AIRB in a RM2.2 billion deal. The acquisition of SATS is synergistic with MMC's ports and land-based logistics operations in South Johor. It also allows MMC to exploit SATS' potential as a regional air cargo and logistics hub under a Free Zone flagship which would benefit from Iskandar Malaysia. AIRB supplies 75% of Johor's treated water and its acquisition adds a new revenue stream to MMC's energy & utilities division.

**27 August 2008**

**Asia's Best Companies 2008  
FinanceAsia & JP Morgan**

MMC was ranked 9th in the Best Corporate Governance category.





**15 August 2008**

#### **2007 KPMG Shareholder Value Award**

MMC received the KPMG Shareholder Value Award for 2007 as the sectoral winner in the Energy & Natural Resources category.

**26 September 2008**

#### **Iskandar Malaysia receives RM1 billion investment from Vitol Terminals BV – world's leading oil terminal operator**

MMC secured its first investor for its proposed Tanjung Bin Petrochemical and Maritime Centre, located opposite PTP. Under the agreement, MMC will lease 123.5 acres of land for 30 years for an oil terminal facility to ATT Tanjung Bin, a subsidiary of Vitol Terminals BV.



**8 October 2008**

### **British Construction Industry Awards (“BCIA”) 2008 for SMART**

SMART won the British Construction Industry International Award for 2008. The prestigious BCIA Award, widely regarded as the British construction industry’s Oscar, was presented to SMART for excellence in innovation and engineering.



**5 November 2008**

### **MMC forges ahead in JEC with US\$30 billion in investments**

MMC International announced that JEC had attracted US\$30 billion worth of investments, achieving its target in a span of just two years. Among the industries that have expressed interest in JEC include infrastructure projects, such as a port and a power plant, primary industries, such as an aluminium smelter, a steel cluster and an oil refinery and secondary industries, such as steel, automotive and shipbuilding industries.

**5 December 2008**

**MMC to Pay RM250 Million Less for Senai Airport Terminal Services**

MMC announced that it will pay RM1.7 billion for the entire stake in SATS, RM250 million lower than the original price of RM1.95 billion announced in August 2008. The revised acquisition price of RM1.7 billion comprises RM580 million for SATS' airport operations and RM1.1 billion for its 2,718 acres of freehold land slated for development as the new Senai Airport City.



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**14 January 2009**


**Contractor of the Year**

MMC-Gamuda JV was recognised as "Contractor of the Year" at the Malaysian Construction Industry Excellence Awards 2008 by the Construction Industry Development Board Malaysia.

**20 March 2009**

**Shareholders approve Senai Airport Terminal Services acquisition**

The acquisition of SATS was approved at an EGM with 97% of MMC's minority shareholders voting in favour of the deal.



## financial statements

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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 2008.

## PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are shown in Note 44 to the financial statements.

There is no significant change in the nature of these activities during the financial year, except for the Group's involvement in the operation, maintenance, rehabilitation and management of water treatment plants and construction of water works following the acquisition of 74.36% equity interest in Aliran Ihsan Resources Berhad as further disclosed in Note 15(e) to the financial statements.

## FINANCIAL RESULTS

|                               | Group   | Company |
|-------------------------------|---------|---------|
|                               | RM'000  | RM'000  |
| Profit for the year           | 891,496 | 324,022 |
| Attributable to:              |         |         |
| Equity holders of the Company | 527,319 | 324,022 |
| Minority interest             | 364,177 | -       |
|                               | 891,496 | 324,022 |

## RESERVES AND PROVISIONS

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

## DIVIDENDS

The dividends paid or declared by the Company since 31 December 2007 were as follows:

|   | RM'000  |
|---|---------|
| In respect of the financial year ended 31 December 2007, as shown in the Directors' report of that financial year, a final gross dividend of 5.0 sen per share, comprising 1.0 sen less 26% income tax, 2.5 sen per share tax exempt and 1.5 sen per share single-tier dividend on 3,045,058,552 ordinary shares, were paid on 13 June 2008 | 144,336 |

The Directors recommend the payment of a final single-tier dividend of 2.5 sen per share on the 3,045,058,552 ordinary shares, amounting to RM76,126,464 which, approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 26 June 2009 to shareholders registered on the Company's Register of Members at the close of business on 5 June 2009.

## 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

Encik Feizal Ali

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

Dato' Abdullah bin Mohd Yusof

Encik Halim Haji Din

Datuk Mohd Sidik Shaik Osman

Encik Ahmad Jauhari bin Yahya

Encik Hasni Harun (Appointed on 1 March 2008)

Encik Ooi Teik Huat (Appointed on 22 May 2008)

In accordance with Article 78 of the Company's Articles of Association, Dato' Wira Syed Abdul Jabbar bin Syed Hassan and Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 85 of the Company's Article of Association, Encik Ooi Teik Huat, who was appointed during the year, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Dato' Abdullah bin Mohd Yusof will retire pursuant to Section 129 of the Companies Act 1965 at the forthcoming Annual General Meeting and that a separate resolution will be proposed for his appointment as a Director at the Annual General Meeting under the provision of Section 129(6) of the said Act, to hold office until 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 year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments and benefit-in-kind received or due and receivable by Directors or the fixed salary of a full time employee of the Company and its related corporation as disclosed in Note 8(ii) 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

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 1.1.2008   | Acquired | Sold | At 31.12.2008 |
| Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob | 10,000  | 40,000   | -    | 50,000        |

### **DIRECTORS' INTERESTS (CONTINUED)**

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 financial statements 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.

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 other than as disclosed in Notes 45(a) and 45(b) to the financial statements;

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

(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.

**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 25 February 2009.

**DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN**

Chairman

Kuala Lumpur

**HASNI HARUN**

Chief Executive Officer  
Malaysia

# statement by directors

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We, Dato' Wira Syed Abdul Jabbar bin Syed Hassan and Hasni Harun, two of the Directors of MMC Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 73 to 159 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 2008 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2009.

**DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN**

Chairman

Kuala Lumpur

**HASNI HARUN**

Chief Executive Officer  
Malaysia

# statutory declaration

I, Anwar Syahrin bin Abdul Ajib, 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 73 to 159 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.

**ANWAR SYAHRIN BIN ABDUL AJIB**

Subscribed and solemnly declared by the abovenamed Anwar Syahrin bin Abdul Ajib

At: Kuala Lumpur

On: 25 February 2009

Before me:

COMMISSIONER FOR OATHS

# independent auditors' report

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of MMC Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 73 to 159.

### **Directors' Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 44 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

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

## PRICEWATERHOUSECOOPERS

(No. AF: 1146)  
Chartered Accountants

## JAYARAJAN A/L U. RATHINASAMY

(No. 2059/06/10 (J))  
Chartered Accountant

Kuala Lumpur  
25 February 2009

for the financial  
year ended  
31 Dec 2008

# income statements

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|                                    | Note | 2008<br>RM'000     | Group<br>2007<br>RM'000 | 2008<br>RM'000  | Company<br>2007<br>RM'000 |
|------------------------------------|------|--------------------|-------------------------|-----------------|---------------------------|
| Revenue                            | 5    | <b>8,545,033</b>   | 5,722,033               | <b>476,458</b>  | 349,784                   |
| Cost of sales                      | 6    | <b>(5,669,533)</b> | (3,542,714)             | -               | (138,250)                 |
| Gross profit                       |      | <b>2,875,500</b>   | 2,179,319               | <b>476,458</b>  | 211,534                   |
| Other operating income             |      |                    |                         |                 |                           |
| - items relating to investments    |      | <b>108,329</b>     | 100,988                 | <b>37,146</b>   | 1,319,973                 |
| - others                           |      | <b>194,061</b>     | 185,031                 | <b>2,763</b>    | 20,990                    |
| Distribution costs                 |      | <b>(630)</b>       | (2,748)                 | -               | -                         |
| Administrative expenses            |      | <b>(581,013)</b>   | (524,987)               | <b>(44,779)</b> | (24,220)                  |
| Other operating expenses           |      | <b>(415,552)</b>   | (41,262)                | <b>(3)</b>      | (4,421)                   |
| Finance costs                      | 7    | <b>(1,380,529)</b> | (969,182)               | <b>(65,806)</b> | (63,205)                  |
| Share of results of:               |      |                    |                         |                 |                           |
| - associates                       |      | <b>59,087</b>      | 95,468                  | -               | -                         |
| - jointly controlled entities      |      | <b>156,246</b>     | (4,585)                 | -               | -                         |
| Profit before taxation             | 8    | <b>1,015,499</b>   | 1,018,042               | <b>405,779</b>  | 1,460,651                 |
| Tax expense:                       |      |                    |                         |                 |                           |
| - Company and subsidiaries         | 9    | <b>(124,003)</b>   | (156,999)               | <b>(81,757)</b> | (17,884)                  |
| Net profit for the financial year  |      | <b>891,496</b>     | 861,043                 | <b>324,022</b>  | 1,442,767                 |
| Attributable to:                   |      |                    |                         |                 |                           |
| - Equity holders of the Company    |      | <b>527,319</b>     | 551,522                 | <b>324,022</b>  | 1,442,767                 |
| - Minority interests               |      | <b>364,177</b>     | 309,521                 | -               | -                         |
|                                    |      | <b>891,496</b>     | 861,043                 | <b>324,022</b>  | 1,442,767                 |
| Earnings per ordinary share (sen): |      |                    |                         |                 |                           |
| - Basic                            | 10   | <b>17.3</b>        | 18.1                    |                 |                           |
| - Diluted                          | 10   | <b>17.3</b>        | 18.1                    |                 |                           |

|                                    |    | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|------------------------------------|----|----------------|-------------------------|----------------|---------------------------|
| Dividend per ordinary share (sen): |    |                |                         |                |                           |
| - Proposed final                   | 11 | <b>2.5</b>     | 5.0                     | <b>2.5</b>     | 5.0                       |

as at  
31 Dec 2008

# balance sheets

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|  | Note | 2008<br>RM'000    | Group<br>2007<br>RM'000 | 2008<br>RM'000   | Company<br>2007<br>RM'000 |
|--|------|-------------------|-------------------------|------------------|---------------------------|
| <b>NON-CURRENT ASSETS</b>                  |      |                   |                         |                  |                           |
| Property, plant and equipment              | 12   | 16,010,857        | 15,347,573              | 5,650            | 7,671                     |
| Investment properties                      | 13   | 32,492            | 32,429                  | -                | -                         |
| Prepaid lease payments                     | 14   | 650,759           | 661,203                 | 4,556            | 4,613                     |
| Investments in subsidiaries                | 15   | -                 | -                       | 6,228,260        | 6,047,509                 |
| Investments in associates                  | 16   | 1,950,041         | 1,966,977               | 156,637          | 156,637                   |
| Investments in jointly controlled entities | 17   | 314,498           | 153,252                 | 5,001            | 1                         |
| Other investments                          | 18   | -                 | -                       | -                | -                         |
| Property development expenditure           | 19   | 40,648            | -                       | -                | -                         |
| Amounts due from subsidiaries              | 20   | -                 | -                       | 658,313          | 479,499                   |
| Other assets                               | 21   | 8,244             | 9,752                   | -                | -                         |
| Intangible assets                          | 22   | 8,394,669         | 8,762,035               | -                | -                         |
| Deferred tax assets                        | 23   | 417,315           | 269,171                 | -                | -                         |
|  |      | <b>27,819,523</b> | <b>27,202,392</b>       | <b>7,058,417</b> | <b>6,695,930</b>          |
| <b>CURRENT ASSETS</b>                      |      |                   |                         |                  |                           |
| Inventories                                | 24   | 674,426           | 528,296                 | -                | -                         |
| Non-current assets held for sale           | 25   | -                 | 192                     | -                | 11,448                    |
| Trade and other receivables                | 26   | 2,237,226         | 1,717,603               | 458,879          | 56,497                    |
| Tax recoverable                            |      | 140,783           | 119,402                 | 7,057            | 45,108                    |
| Amount due from a subsidiary               | 20   | -                 | -                       | -                | 85,391                    |
| Amount due from holding company            | 27   | 13,780            | 15,780                  | 13,780           | 15,780                    |
| Marketable securities                      | 28   | 61,237            | 61,206                  | -                | -                         |
| Deposits, bank and cash balances           | 29   | 3,787,309         | 3,310,774               | 64,971           | 79,532                    |
|  |      | <b>6,914,761</b>  | <b>5,753,253</b>        | <b>544,687</b>   | <b>293,756</b>            |
| <b>CURRENT LIABILITIES</b>                 |      |                   |                         |                  |                           |
| Borrowings                                 | 30   | 2,278,454         | 1,718,843               | 275,365          | 165,000                   |
| Trade and other payables                   | 31   | 1,912,678         | 1,197,126               | 24,492           | 44,065                    |
| Taxation                                   |      | 37,198            | 26,830                  | -                | -                         |
|  |      | <b>4,228,330</b>  | <b>2,942,799</b>        | <b>299,857</b>   | <b>209,065</b>            |
| <b>NET CURRENT ASSETS</b>                  |      |                   |                         |                  |                           |
|  |      | <b>2,686,431</b>  | <b>2,810,454</b>        | <b>244,830</b>   | <b>84,691</b>             |
|  |      | <b>30,505,954</b> | <b>30,012,846</b>       | <b>7,303,247</b> | <b>6,780,621</b>          |

|  | Note | 2008<br>RM'000    | Group<br>2007<br>RM'000 | 2008<br>RM'000   | Company<br>2007<br>RM'000 |
|--|------|-------------------|-------------------------|------------------|---------------------------|
| FINANCED BY:                                     |      |                   |                         |                  |                           |
| CAPITAL AND RESERVES                             |      |                   |                         |                  |                           |
| Share capital                                    | 32   | <b>304,506</b>    | 152,253                 | <b>304,506</b>   | 152,253                   |
| Reserves   | 33   | <b>5,809,523</b>  | 5,705,713               | <b>4,114,487</b> | 4,087,054                 |
| Shareholders' funds                              |      | <b>6,114,029</b>  | 5,857,966               | <b>4,418,993</b> | 4,239,307                 |
| Minority interests                               |      | <b>3,245,997</b>  | 2,905,543               | -                | -                         |
| Total equity                                     |      | <b>9,360,026</b>  | 8,763,509               | <b>4,418,993</b> | 4,239,307                 |
| NON-CURRENT LIABILITIES                          |      |                   |                         |                  |                           |
| Amounts due to subsidiaries                      | 20   | -                 | -                       | <b>1,327,482</b> | 1,478,493                 |
| Redeemable preference shares                     | 34   | <b>114,051</b>    | 114,051                 | -                | -                         |
| Redeemable convertible<br>subordinated loans     | 35   | <b>158,355</b>    | 158,355                 | -                | -                         |
| Redeemable convertible<br>unsecured loans stocks | 36   | <b>38,674</b>     | -                       | -                | -                         |
| Borrowings                                       | 30   | <b>17,496,217</b> | 17,584,639              | <b>1,556,772</b> | 1,062,821                 |
| Land lease received in advance                   | 37   | <b>198,204</b>    | 198,649                 | -                | -                         |
| Provision for retirement benefits                | 31   | <b>44,327</b>     | 41,889                  | -                | -                         |
| Deferred income                                  | 38   | -                 | 47,808                  | -                | -                         |
| Deferred tax liabilities                         | 23   | <b>3,096,100</b>  | 3,103,946               | -                | -                         |
|  |      | <b>21,145,928</b> | 21,249,337              | <b>2,884,254</b> | 2,541,314                 |
|  |      | <b>30,505,954</b> | 30,012,846              | <b>7,303,247</b> | 6,780,621                 |

for the financial  
year ended  
31 Dec 2008

# consolidated statement of changes in equity

|  | Attributable to equity holders of the Company |               |                          |                     |                    |                   | Minority interests | Total equity |                   |           |
|--|---|---------------|--------------------------|---------------------|--------------------|-------------------|--------------------|--------------|-------------------|-----------|
|  | Non-distributable                             |               |                          |                     |                    |                   |                    |              |                   |           |
|  | Share capital                                 | Share premium | Foreign exchange reserve | Revaluation reserve | **Capital reserves | *Capital reserves |                    |              | Retained earnings | Total     |
| Note   | RM'000  | RM'000        | RM'000                   | RM'000              | RM'000             | RM'000            | RM'000             | RM'000       |                   |           |
| At 1 January 2008                                  | 152,253                                       | 2,039,770     | -                        | 1,219,271           | 308,197            | 350,107           | 1,790,916          | 5,860,514    | 2,807,088         | 8,667,602 |
| Effects of adopting FRS 112                        | -   | -             | -                        | -                   | -                  | 72,293            | (74,841)           | (2,548)      | 98,455            | 95,907    |
| As restated  | 152,253                                       | 2,039,770     | -                        | 1,219,271           | 308,197            | 422,400           | 1,716,075          | 5,857,966    | 2,905,543         | 8,763,509 |
| Acquisition through business combination           | -   | -             | -                        | -                   | -                  | -                 | -                  | -            | 112,159           | 112,159   |
| Disposal of subsidiaries                           | -   | -             | -                        | -                   | (881)              | -                 | -                  | (881)        | (6,721)           | (7,602)   |
| Share of movement in associates' reserves          | -   | -             | -                        | -                   | (126,178)          | -                 | -                  | (126,178)    | -                 | (126,178) |
| Currency translation differences                   | -   | -             | 139                      | -                   | -                  | -                 | -                  | 139          | 544               | 683       |
| Net income recognised directly to equity           | -   | -             | 139                      | -                   | (127,059)          | -                 | -                  | (126,920)    | 105,982           | (20,938)  |
| Net profit for the financial year                  | -   | -             | -                        | -                   | -                  | -                 | 527,319            | 527,319      | 364,177           | 891,496   |
| Transfer to capital reserve                        | -   | -             | -                        | -                   | -                  | 383               | (383)              | -            | -                 | -         |
| Issuance of bonus shares                           | 152,253                                       | -             | -                        | -                   | (152,253)          | -                 | -                  | -            | -                 | -         |
| Dividend for financial year ended 31 December 2007 | -   | -             | -                        | -                   | -                  | -                 | (144,336)          | (144,336)    | -                 | (144,336) |
| Dividend paid to minority shareholders             | -   | -             | -                        | -                   | -                  | -                 | -                  | -            | (129,705)         | (129,705) |
| At 31 December 2008                                | 304,506                                       | 2,039,770     | 139                      | 1,219,271           | 28,885             | 422,783           | 2,098,675          | 6,114,029    | 3,245,997         | 9,360,026 |

\* - 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.

|   | Attributable to equity holders of the Company |                         |                                    |                               |                              |                             |                             | Minority interests | Total equity |
|---|---|-------------------------|------------------------------------|-------------------------------|------------------------------|-----------------------------|-----------------------------|--------------------|--------------|
|   | Non-distributable                             |                         |                                    |                               |                              |                             |                             |                    |              |
|   | Share capital<br>RM'000                       | Share premium<br>RM'000 | Foreign exchange reserve<br>RM'000 | Revaluation reserve<br>RM'000 | **Capital reserves<br>RM'000 | *Capital reserves<br>RM'000 | Retained earnings<br>RM'000 |                    |              |
| At 1 January 2007   | 152,253                                       | 2,039,770               | (55,765)                           | 28,120                        | 216,463                      | 350,107                     | 1,414,735                   | 444,730            | 4,590,413    |
| Effects of adopting FRS 112                                       | -   | -                       | -                                  | -                             | -                            | 72,293                      | (74,841)                    | 98,455             | 95,907       |
| As restated   | 152,253                                       | 2,039,770               | (55,765)                           | 28,120                        | 216,463                      | 422,400                     | 1,339,894                   | 543,185            | 4,686,320    |
| Acquisition through business combination                          | -   | -                       | -                                  | 1,191,151                     | -                            | -                           | -                           | 2,152,777          | 3,343,928    |
| Share of movement in associates' reserves                         | -   | -                       | -                                  | -                             | 91,734                       | -                           | -                           | 91,734             | 91,734       |
| Decrease in equity interest in existing subsidiary                | -   | -                       | -                                  | -                             | -                            | -                           | -                           | 6,566              | 6,566        |
| Net income recognised directly to equity                          | -   | -                       | -                                  | 1,191,151                     | 91,734                       | -                           | -                           | 2,159,343          | 3,442,228    |
| Net profit for the financial year                                 | -   | -                       | -                                  | -                             | -                            | -                           | 551,522                     | 309,521            | 861,043      |
| Realisation of disposal of foreign subsidiaries                   | -   | -                       | (15,435)                           | -                             | -                            | -                           | -                           | (15,435)           | (15,435)     |
| Realisation of disposal of foreign subsidiaries in previous years | -   | -                       | 71,200                             | -                             | -                            | -                           | (71,200)                    | -                  | -            |
| Dividend for financial year ended 31 December 2006                | -   | -                       | -                                  | -                             | -                            | -                           | (104,141)                   | -                  | (104,141)    |
| Dividend paid to minority shareholders                            | -   | -                       | -                                  | -                             | -                            | -                           | -                           | (106,506)          | (106,506)    |
| At 31 December 2007   | 152,253                                       | 2,039,770               | -                                  | 1,219,271                     | 308,197                      | 422,400                     | 1,716,075                   | 2,905,543          | 8,763,509    |

\* - 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.

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# company statement of changes in equity

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|   | Note | Non-distributable          |                            |                                 | Distributable                  |                                | Total     |
|---|------|----------------------------|----------------------------|---------------------------------|--------------------------------|--------------------------------|-----------|
|   |      | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | **Capital<br>reserves<br>RM'000 | *Capital<br>reserves<br>RM'000 | Retained<br>earnings<br>RM'000 |           |
| At 1 January 2008   |      | 152,253                    | 2,039,770                  | 211,963                         | 243,074                        | 1,592,247                      | 4,239,307 |
| Net profit for the financial year                         |      | -                          | -                          | -                               | -                              | 324,022                        | 324,022   |
| Issuance of bonus shares                                  |      | 152,253                    | -                          | (152,253)                       | -                              | -                              | -         |
| Dividend for the financial<br>year ended 31 December 2007 | 11   | -                          | -                          | -                               | -                              | (144,336)                      | (144,336) |
| At 31 December 2008                                       |      | 304,506                    | 2,039,770                  | 59,710                          | 243,074                        | 1,771,933                      | 4,418,993 |

\* - 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.

|   |  | Non-distributable          |                            |                                 | Distributable                  |                                | Total     |
|---|--|----------------------------|----------------------------|---------------------------------|--------------------------------|--------------------------------|-----------|
|   |  | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | **Capital<br>reserves<br>RM'000 | *Capital<br>reserves<br>RM'000 | Retained<br>earnings<br>RM'000 |           |
| At 1 January 2007   |  | 152,253                    | 2,039,770                  | 211,963                         | 243,074                        | 253,621                        | 2,900,681 |
| Net profit for the financial year                         |  | -                          | -                          | -                               | -                              | 1,442,767                      | 1,442,767 |
| Dividend for the financial<br>year ended 31 December 2006 |  | -                          | -                          | -                               | -                              | (104,141)                      | (104,141) |
| At 31 December 2007                                       |  | 152,253                    | 2,039,770                  | 211,963                         | 243,074                        | 1,592,247                      | 4,239,307 |

\* - 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.

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31 Dec 2008

# cash flow statements

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|   | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|---|----------------|-------------------------|----------------|---------------------------|
| OPERATING ACTIVITIES  |                |                         |                |                           |
| Profit before taxation  | 1,015,499      | 1,018,042               | 405,779        | 1,460,651                 |
| Adjustments for:  |                |                         |                |                           |
| Depreciation of property, plant and equipment   | 647,940        | 580,190                 | 4,448          | 3,744                     |
| Depreciation of investment properties   | 509            | 524                     | -              | -                         |
| Amortisation of prepaid lease payments  | 10,463         | 8,968                   | 57             | 57                        |
| Amortisation of land lease received in advance  | (11,329)       | (7,994)                 | -              | -                         |
| Impairment loss of investment properties  | 410            | 694                     | -              | -                         |
| Impairment loss on marketable securities  | 521            | -                       | -              | -                         |
| Impairment/(Write-back) in cost of investment in:   |                |                         |                |                           |
| - subsidiaries  | -              | -                       | -              | 462                       |
| - associates  | 50,608         | (476)                   | -              | -                         |
| Amortisation of Rights on<br>Power Purchase Agreement and Operations<br>and Maintenance Agreement arising<br>through business combinations: |                |                         |                |                           |
| - subsidiaries  | 365,206        | 207,070                 | -              | -                         |
| - associate   | 36,706         | 23,725                  | -              | -                         |
| One off payment in lieu of windfall profit levy   | 211,666        | -                       | -              | -                         |
| Amortisation of development expenditure<br>and intellectual property  | 752            | 859                     | -              | -                         |
| Allowance for doubtful debts  | 47,379         | 88,223                  | -              | -                         |
| Allowance for doubtful debts for amounts<br>due from subsidiaries   | -              | -                       | 3              | 3,053                     |
| Gain on disposal of:  |                |                         |                |                           |
| - subsidiaries  | (34,893)       | -                       | (37,146)       | -                         |
| - investments   | -              | (85,597)                | -              | -                         |
| - associated companies  | -              | (1,702)                 | -              | (1,263,708)               |
| Gain on liquidation of subsidiaries   | (1,252)        | -                       | -              | (55,357)                  |
| Gain on deemed disposal of a subsidiary   | -              | (2,153)                 | -              | -                         |
| Realisation of foreign exchange gain on<br>liquidation of subsidiaries  | -              | (15,435)                | -              | -                         |
| Gain on disposal of property, plant and equipment   | (644)          | (1,840)                 | (71)           | (260)                     |
| Write-off of property, plant and equipment  | 5,893          | 1,079                   | -              | -                         |
| Write-back of allowance for doubtful debts  | (4,463)        | (3,415)                 | -              | -                         |
| Write-back of project cost  | -              | (16,815)                | -              | (16,815)                  |

|  | 2008      | Group     | 2008      | Company   |
|--|-----------|-----------|-----------|-----------|
|  | RM'000    | 2007      | RM'000    | 2007      |
|  | RM'000    | RM'000    | RM'000    | RM'000    |
| Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combination | (72,184)  | -         | -         | -         |
| Amortisation of Redeemable Convertible Unsecured Loan Stocks   | 126       | -         | -         | -         |
| Amortisation of deferred income  | (134)     | (6,259)   | -         | -         |
| Bad debts recovered  | -         | (1,308)   | -         | -         |
| Dividend income  | (17,787)  | (9,712)   | (476,458) | (212,447) |
| Interest income  | (143,612) | (147,085) | (1,541)   | (3,270)   |
| Interest expense   | 1,380,529 | 969,182   | 65,806    | 63,205    |
| Share of results in:   |           |           |           |           |
| - associates   | (59,087)  | (95,468)  | -         | -         |
| - jointly controlled entities  | (156,246) | 4,585     | -         | -         |
| Allowance for mining exploration expenditure   | 2         | 29        | 2         | 29        |
| Net unrealised (gain)/loss on foreign exchange   | (720)     | (1,095)   | 6         | 6         |
| Provision for retirement benefits  | 8,529     | 5,018     | -         | -         |
|  | 3,280,387 | 2,511,834 | (39,115)  | (20,650)  |
| Changes in working capital:  |           |           |           |           |
| Inventories  | (159,845) | (52,839)  | -         | -         |
| Trade and other receivables  | (453,549) | (93,377)  | (62,388)  | 2,045     |
| Trade and other payables   | 535,418   | (572,777) | (6,173)   | (9,998)   |
| Designated accounts and pledged deposits   | (1,104)   | (16,778)  | -         | -         |
| Cash generated from/(used in) operations   | 3,201,307 | 1,776,063 | (107,676) | (28,603)  |
| Income tax (paid)/refund   | (295,192) | (185,773) | 19,287    | (324)     |
| Mining exploration expenditure   | (2)       | (29)      | (2)       | (29)      |
| Land lease received in advance   | 21,964    | 38,824    | -         | -         |
| Retirement benefits paid   | (4,381)   | (1,951)   | -         | -         |
| One off payment in lieu of windfall profit levy paid   | (37,804)  | -         | -         | -         |
| Net cash flow generated from/ (used in) operating activities   | 2,885,892 | 1,627,134 | (88,391)  | (28,956)  |

|  | Group       |             | Company   |             |
|--|-------------|-------------|-----------|-------------|
|  | 2008        | 2007        | 2008      | 2007        |
|  | RM'000      | RM'000      | RM'000    | RM'000      |
| <b>INVESTING ACTIVITIES</b>  |             |             |           |             |
| Additional investment in associate                                       | (6,252)     | -           | -         | -           |
| Acquisition through business combination                                 | (80,932)    | (5,116,894) | (150,774) | (2,047,834) |
| Deposit for acquisition of new subsidiary                                | -           | -           | (340,000) | -           |
| Redemption of preference shares in associate company                     | -           | 3,000       | -         | 3,000       |
| Dividends received from:   |             |             |           |             |
| - subsidiaries   | -           | -           | 394,399   | 151,890     |
| - associates   | 56,461      | 82,787      | 19,066    | 24,758      |
| - others   | 17,787      | 9,712       | -         | -           |
| Interest received  | 143,612     | 147,085     | 1,541     | 3,270       |
| Development expenditure  | (171)       | (583)       | -         | -           |
| Proceeds from sale of:   |             |             |           |             |
| - subsidiaries   | 97,217      | -           | 120,600   | -           |
| - associates   | -           | -           | -         | 2,047,834   |
| - investments  | -           | 111,817     | -         | -           |
| Purchases of shares in associates  | -           | (79,303)    | -         | (784,126)   |
| Purchases of shares in jointly controlled entity                         | (5,000)     | (11,500)    | (5,000)   | -           |
| Subscription of Redeemable Convertible Preference Shares in a subsidiary | -           | -           | (29,977)  | -           |
| Proceeds from sale of property, plant and equipment                      | 2,223       | 1,879       | 176       | 285         |
| Purchases of :   |             |             |           |             |
| - property, plant and equipment  | (1,602,942) | (280,126)   | (2,532)   | (8,803)     |
| - investment properties  | (111)       | -           | -         | -           |
| Additional property development expenditure                              | (37,381)    | -           | -         | -           |
| Prepayment of lease  | (18)        | (152)       | -         | -           |
| Redemption of unsecured loan stocks in a subsidiary                      | 15,200      | -           | -         | -           |
| Net cash flow (used in)/generated from investing activities              | (1,400,307) | (5,132,278) | 7,499     | (609,726)   |
| <b>FINANCING ACTIVITIES</b>  |             |             |           |             |
| Dividends paid   | (144,336)   | (104,141)   | (144,336) | (104,141)   |
| Dividends paid to minority interests of subsidiaries                     | (129,705)   | (106,506)   | -         | -           |
| Interest paid  | (1,380,529) | (1,201,569) | (65,806)  | (63,205)    |
| Repayment from holding company   | -           | -           | 2,000     | -           |
| Advances (to)/from subsidiaries  | -           | -           | (329,843) | 819,755     |
| Borrowings   |             |             |           |             |
| - new drawdown   | 1,684,033   | 8,166,582   | 704,316   | 12,986      |
| - repayment  | (1,038,388) | (2,620,151) | (100,000) | (98,611)    |

|   |    | <b>2008</b>        | <b>Group</b>  | <b>2008</b>     | <b>Company</b> |
|---|----|--------------------|---------------|-----------------|----------------|
|   |    | <b>RM'000</b>      | <b>2007</b>   | <b>RM'000</b>   | <b>2007</b>    |
|   |    |                    | <b>RM'000</b> |                 | <b>RM'000</b>  |
| Proceeds from issuance of preference shares                 |    | -                  | 20,005        | -               | -              |
| Proceeds from issuance of shares in subsidiaries            |    | -                  | 1,977,526     | -               | -              |
| Net cash flow (used in)/generated from financing activities |    | <b>(1,008,925)</b> | 6,131,746     | <b>66,331</b>   | 566,784        |
| Net increase/(decrease) in cash and cash equivalents        |    | <b>476,660</b>     | 2,626,602     | <b>(14,561)</b> | (71,898)       |
| Foreign exchange differences                                |    | <b>683</b>         | -             | -               | -              |
| Cash and cash equivalents at beginning of financial year    |    | <b>3,277,682</b>   | 651,080       | <b>79,532</b>   | 151,430        |
| Cash and cash equivalents at end of financial year          |    | <b>3,755,025</b>   | 3,277,682     | <b>64,971</b>   | 79,532         |
| Cash and cash equivalents comprise:                         |    |                    |               |                 |                |
| Cash and bank balances                                      | 29 | <b>420,284</b>     | 377,685       | <b>5,143</b>    | 2,564          |
| Deposits  | 29 | <b>3,367,025</b>   | 2,933,089     | <b>59,828</b>   | 76,968         |
| Bank overdrafts   |    | <b>(1,936)</b>     | (3,848)       | -               | -              |
|   |    | <b>3,785,373</b>   | 3,306,926     | <b>64,971</b>   | 79,532         |
| Less:   |    |                    |               |                 |                |
| Designated accounts   | 30 | <b>(12,442)</b>    | (12,442)      | -               | -              |
| Deposits pledged for banking facilities                     |    | <b>(17,906)</b>    | (16,802)      | -               | -              |
|   |    | <b>3,755,025</b>   | 3,277,682     | <b>64,971</b>   | 79,532         |

Included in the deposits of the Group are:

- (a) an amount of RM12.4 million (2007: RM12.4 million) being assigned as Designated Accounts for the loans as disclosed in Note 30; and
- (b) deposits of RM17.9 million (2007: RM16.8 million) which are pledged for certain banking facilities.

# summary of significant accounting policies

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 in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. For example, land and buildings are stated at fair value.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting 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 amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The basis of estimates, judgements and assumptions are disclosed in Note 3.

## (i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group's year ended 31 December 2008 and applicable to the Group are as follows:

### Applicable to the Group and Company's financial statements

- FRS 107 Cash Flows Statements
- FRS 111 Construction Contracts
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

### Not applicable to the Group and Company's financial statements

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8 Scope of FRS 2

**(a) Basis of preparation (continued)**

**(i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective (continued)**

The adoptions of the new/revised FRSs above have not resulted in changes to accounting policies of the Group and have no material impact on the financial statements other than FRS 112 Income Taxes.

The adoption of the revised FRS 112 has resulted in a retrospective application of the change to the accounting policy relating to the recognition of deferred tax assets arising from re-investment or other allowances in excess of capital allowances. Prior to 1 January 2008, deferred tax asset arising from re-investment allowances is not recognised.

The effects on the financial statements following the adoption of the revised FRS 112 are disclosed in Note 4 to the financial statements.

**(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective and not early adopted**

The new and revised standards, amendments to published standards and interpretations that are applicable to the Group, but which the Group has not early adopted, are as follows:

- FRS 8 Operating Segments (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS 114<sub>2004</sub> Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply this standard from financial periods beginning on 1 January 2010.
- IC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply this standard from financial periods beginning on 1 January 2010.

The following standards will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards from financial periods beginning on 1 January 2010. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and Company.

- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 7 Financial Instruments: Disclosures

**(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group**

- FRS 4 Insurance Contracts

## **(b) Subsidiaries**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to exercise control of the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the Group's share of the fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly to income statement.

Minority interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

Intra group transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **(c) Transactions with minority shareholders**

Prior to 1 January 2007, transactions with minority shareholders were accounted for in accordance with MASB 11 (FRS127<sub>2004</sub>). For the accretion of the Group's interests in the subsidiary for cash and purchase price established at fair value, excess of purchase consideration over the fair value of assets acquired are recognised as goodwill or negative goodwill. Disposals to minority shareholders for cash consideration and at fair value, the gains or losses arising are recorded in the income statements.

For transactions with minority shareholders for consideration other than cash and not at fair value, difference in the Group's share of net assets and the consideration is adjusted against the Group's reserves.

Upon adoption of the Economic Entity Model to provide more reliable and relevant information that adheres to the FRS framework, the Group applies a policy of treating transactions with minority shareholders as transactions with equity owners of the Group. For purchases from minority shareholders, the difference between any consideration paid and the relevant share acquired on the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority shareholders are also recorded in equity. For disposals to minority shareholders, differences between any proceeds received and the relevant share of minority shareholders are also recorded in equity.

**(c) Transactions with minority shareholders (continued)**

The change in accounting policy of transactions with minority shareholders, which has been applied retrospectively, has not resulted in any material impact on the financial statements as previous accretion of interest in subsidiary for consideration other than cash and not at fair value, the difference in the Group's share of net assets and the consideration were adjusted against the Group's reserves.

**(d) 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 by using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment.

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. Where the associates are public listed companies, the Group has equity accounted for the associates results based on 12-month financial information up to the date of latest publicly available interim report.

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.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interest that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses.

**(e) Jointly controlled entities**

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

Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities and its share of post acquisition movements within reserves in reserves. The cumulative post-acquisition movements are adjusted against the carrying value of the investment.

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 are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

**(f) Property, plant and equipment**

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

**(f) Property, plant and equipment (continued)**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Revaluations 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 and 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.

C-inspection cost represents cost incurred at the scheduled major inspection dates.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on derecognition is recognised in the income statements.

**(g) Depreciation**

Depreciation is provided at rates, which are considered adequate to write-off the cost/revalued amount of property, plant and equipment less estimated residual value over their estimated useful lives. No depreciation is provided on freehold land. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

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.

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

|  |               |
|--|---------------|
| Buildings  | 20 - 50 years |
| Power plant  | 21 years      |
| C-inspection costs                                   | 3 years       |
| Plant, machinery, dredges and other mining equipment | 3 to 30 years |
| Pipelines system                                     | 30 years      |
| Motor vehicles                                       | 5 years       |

**(g) Depreciation (continued)**

Residual values, useful lives and depreciation method of assets are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

**(h) Investment properties**

Investment properties are held for long term rental yields or for capital appreciation or both and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight line basis over its estimated useful life.

Investment properties are derecognised when it is permanently withdrawn for use and no further economic benefit is expected from its disposal or when they have been disposed. Any gain or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

**(i) Prepaid lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interest in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

|                        |                 |
|------------------------|-----------------|
| Prepaid lease payments | 20 to 101 years |
|------------------------|-----------------|

**(j) 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, the recoverable amount is determined on an identified asset basis or on the cash generating unit ("CGU") to which the asset belongs to. An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax weighted average cost of capital. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

**(j) Impairment of assets (continued)**

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

**(k) 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 to accounting policy Note (j) 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.

Investment in redeemable preference shares are stated at cost. The premium receivable upon redemption of the redeemable preference shares is accrued over the tenor of the preference shares.

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.

**(l) 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 and associates are stated at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

**(m) Rights on Power Purchase Agreement and Operation & Maintenance Agreement**

Rights on Power Purchase Agreement and Operation & Maintenance Agreement (“Rights”) that are acquired by the Group are stated at cost less any accumulated amortisation and any accumulated impairment losses. The Rights are amortised from the date that they are available for use. Amortisation of these Rights is charged to the income statements based on the estimated net electrical output and fixed operation and maintenance income over the finite useful lives of the Rights of approximately 12 to 24 years.

**(n) Intellectual property**

The intellectual property is stated at cost less accumulated amortisation and any accumulated impairment losses and 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.

**(o) 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.

**(p) 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 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).

**(q) 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.

**(r) Trade and other receivables**

Trade and other 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.

**(s) 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.

**(t) 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.

All interest and borrowing costs other than capitalised above are expensed as incurred.

**(u) Redeemable Convertible Unsecured Loan Stocks ("RCULS")**

RCULS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market rate for a similar non-convertible bond to the instrument. The differences between this amount and the interest paid are added to the carrying value of RCULS.

**(v) 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 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.

Deferred tax is not recognised if the temporary differences arise from goodwill or excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

**(w) Land lease received in advance**

Land lease received in advance relates to deferred income from sale of leasehold land and is recognised to the income statement equally over the period of the lease ranging from 17 to 60 years.

**(x) Employee benefits****(i) Short-term employee benefits**

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

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

The Group's contribution to statutory pension fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

**(ii) Defined benefit plans**

The Group's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and that benefit is discounted to determine the present value. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the projected unit credit method.

**(x) Employee benefits (continued)****(ii) Defined benefit plans (continued)**

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent (10%) of the greater of the present value of the defined benefit obligation, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

An actuarial valuation is conducted by an independent actuary at regular intervals.

**(y) 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) Capacity and energy payments, operation and maintenance charges, project management and engineering consultancy fees.**

Revenue is measured at the fair value of the consideration receivable and is recognised in the income statement as it accrues.

**(iii) Construction contracts****(a) Fixed price contracts**

Revenue from fixed price contracts where a fixed contract price is agreed upon is recognised under the percentage of completion method.

**(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.

**(iv) 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.

**(y) Revenue recognition (continued)****(v) 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.

**(vi) 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.

**(vii) Water treatment activity**

Revenue from water treatment activity is measured at the fair value of the consideration recoverable in accordance with the Concession Agreement ("CA") dated 31 May 1994 entered into between a subsidiary company, Southern Water Corporation Sdn Bhd ("SWC") and Syarikat Air Johor Sdn Bhd ("SAJ") and it is recognised in the income statement when sale of treated water has been received by the buyer and it is probable that the economic benefits associated with the transaction will flow to the companies in the Group.

**(viii) Income from land reclamation, shore protection, dredging, associated works and construction contract**

Income from land reclamation, shore protection, dredging, associated works and construction contracts is recognised on the percentage of completion method, measured by reference to surveys of work performed.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

**(ix) Dividend income**

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

**(x) Interest income**

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

**(xi) Rental income**

Rental income is recognised based on accruals basis.

**(z) Foreign currencies****(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

**(z) Foreign currencies (continued)****(iii) Group companies**

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

**(aa) 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 other 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 47.

Exchange gains and losses on contracts are recognised when settled at which they are included in the measurement of the transaction.

**(iv) Fair value estimation for disclosure purposes**

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rate at the balance sheet date.

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

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

**(ab) Contingent liabilities**

The Group does not recognise a contingent liability but discloses its existence in the notes to 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.

**(ab) Contingent liabilities (continued)**

In the acquisition of subsidiaries by the Group under business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisition.

**(ac) 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 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.

**(ad) 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.

**(ae) Non-current assets classified as assets held for sale and discontinued operation**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view for resale.

# notes to the financial statements

## 1 CORPORATE INFORMATION

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

The principal activities of the subsidiaries are shown in Note 44 to the financial statements.

There is no significant change in the nature of these activities during the financial year, except for the Group's involvement in operation, maintenance, rehabilitation and management of water treatment plants and construction of water works following the acquisition of 74.36% equity interest in Aliran Ihsan Resources Berhad as further disclosed in Note 15(e) to the financial statements.

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

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 Level 8, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.

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

## 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### (a) Foreign currency exchange risk

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

The Group also maintains a natural hedge by maintaining foreign currency denominated cash reserves in an offshore licensed bank account to fund any potential future cash outflows arising from its business operations in foreign countries and by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated by the investment.

## 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Interest rate risk

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

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

### (c) Market risk

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

### (d) Credit risk

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

### (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 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:

### (a) Estimated impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Estimated impairment of goodwill (continued)

The recoverable amounts of the Port Business and Electricity Generation Business; Cash Generating Units (“CGUs”) respectively, were determined based on the value in use calculations. The calculations require the use of estimates and judgements as set out in Note 22(A) Port Business and 22(B) Electricity Generation Business; to the financial statements.

(b) Residual value of power plants

The Group charges depreciation on its depreciable property, plant and equipment based on the useful life and residual values of the assets. Estimating the useful life and residual values of property, plant and equipment involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual useful life and residual value of the assets however, may be different from expected.

The Power Purchase Agreements (“PPA”) provides for the disposal of the power plants at the end of the initial concession period, in the event it is not extended. The recoverable amount of the power plants at the end of the concession period which is approximately 40% of its cost is based on discounted cash flows using the following critical assumptions:

- (1) A five (5) year extension of the Power Purchase Agreement (“PPA”) at the end of the initial concession period, in view of:
  - (i) no new power plants being constructed;
  - (ii) increase in demand for power, and
  - (iii) TNB’s continued reliance on Independent Power Producers (“IPPs”).
- (2) A step-up increase in the Variable Operating Rate (“VOR”) in the first year of extension period and subsequent inflationary increase year-on-year for the remaining period;
- (3) Variable Operating and Maintenance costs will decrease in the first year of the extension period and subsequent inflationary increase year-on-year for the remaining period;
- (4) Increased capacity factor to reflect the future demand for power by the industry; and
- (5) The pre-tax discount rate used is 10.0%.

If the recoverable amount at the end of the concession period is nil, there will be additional depreciation charge and impairment to property, plant and equipment to the Group. In addition, there will also be impairment to the goodwill and intangible assets. Refer to Note 22 on the impairment assessment of goodwill arising from the energy segment.

At Company level, the impact, had the residual value been nil, will be impairment on the cost of investment in the subsidiary, Malakoff Corporation Berhad.

#### 4 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRS

The following tables disclose the adjustments that have been made in accordance with the new revised FRS 112 to each of the line items in the Group's Income Statement for the financial year ended 31 December 2008 and Balance Sheet as at 31 December 2008 including restatement of comparatives as highlighted in Note (a) of Summary of Significant Accounting Policies.

(a) Summary of significant effects to Income Statement for the financial year ended 31 December 2008.

|                                    | <b>FRS 112</b><br>RM'000 |
|------------------------------------|--------------------------|
| <b>Group</b>                       |                          |
| Increase/(Decrease)                |                          |
| Tax expense                        | 165,418                  |
| <hr/>                              |                          |
| Earnings per ordinary share (sen): |                          |
| - Basic                            | 5.43                     |
| <hr/>                              |                          |

(b) Summary of significant effects on Balance Sheet as at 31 December 2008

|                     | <b>FRS 112</b><br>RM'000 |
|---------------------|--------------------------|
| <b>Group</b>        |                          |
| Increase/(Decrease) |                          |
| Deferred tax assets | 458,099                  |
| Intangible assets   | (196,774)                |
| Retained earnings   | 90,577                   |
| Capital reserves    | 72,293                   |
| Minority interest   | 98,455                   |
| <hr/>               |                          |

#### 4 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRS (continued)

(c) Restatement of comparatives

The following comparatives have been restated as a result of adopting the revised FRS 112:

|                          | Previously<br>reported<br>RM'000 | FRS 112<br>RM'000 | Reclassification<br>RM'000 | As restated<br>RM'000 |
|--------------------------|----------------------------------|-------------------|----------------------------|-----------------------|
| <b>Group</b>             |                                  |                   |                            |                       |
| Increase/(Decrease)      |                                  |                   |                            |                       |
| Balance Sheet            |                                  |                   |                            |                       |
| Deferred tax assets      | 15,730                           | 292,681           | (39,240)                   | 269,171               |
| Intangible assets        | 8,958,809                        | (196,774)         | -                          | 8,762,035             |
| Retained earnings        | 1,790,916                        | (74,841)          | -                          | 1,716,075             |
| Capital reserves         | 350,107                          | 72,293            | -                          | 422,400               |
| Minority interest        | 2,807,088                        | 98,455            | -                          | 2,905,543             |
| Deferred tax liabilities | 3,143,186                        | -                 | (39,240)                   | 3,103,946             |

#### 5 REVENUE

|                          | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|--------------------------|----------------|-------------------------|----------------|---------------------------|
| - electricity generation | 4,960,622      | 2,701,998               | -              | -                         |
| - sale of goods and gas  | 1,921,567      | 1,458,665               | -              | -                         |
| - port operations        | 1,186,246      | 1,126,564               | -              | -                         |
| - contract revenue       | 272,758        | 320,114                 | -              | 137,337                   |
| - services               | 180,474        | 70,314                  | -              | -                         |
| - toll operations        | 5,579          | 34,666                  | -              | -                         |
| - dividends (Note 8(i))  | 17,787         | 9,712                   | 476,458        | 212,447                   |
|                          | 8,545,033      | 5,722,033               | 476,458        | 349,784                   |

**6 COST OF SALES**

|  | <b>Group</b>     |               | <b>Company</b> |               |
|--|------------------|---------------|----------------|---------------|
|  | <b>2008</b>      | <b>2007</b>   | <b>2008</b>    | <b>2007</b>   |
|  | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| - cost of electricity generation         | <b>3,171,673</b> | 1,536,230     | -              | -             |
| - cost of goods and gas sold             | <b>1,518,271</b> | 1,127,880     | -              | -             |
| - cost of port operations                | <b>567,558</b>   | 469,713       | -              | -             |
| - contract cost recognised as an expense | <b>345,573</b>   | 354,484       | -              | 138,250       |
| - cost of services                       | <b>64,307</b>    | 43,563        | -              | -             |
| - cost of toll operations                | <b>2,151</b>     | 10,844        | -              | -             |
|  | <b>5,669,533</b> | 3,542,714     | -              | 138,250       |

Included in the cost of electricity generation is the amortisation of intangibles related to Rights on Power Purchase Agreement and Operation and Maintenance Agreement amounting to RM501 million (2007: RM231 million).

**7 FINANCE COST**

|  | <b>Group</b>     |               | <b>Company</b> |               |
|--|------------------|---------------|----------------|---------------|
|  | <b>2008</b>      | <b>2007</b>   | <b>2008</b>    | <b>2007</b>   |
|  | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Al-Istisna Bonds                           | <b>476,690</b>   | 285,878       | -              | -             |
| Medium Terms Notes                         | <b>397,580</b>   | 265,853       | -              | -             |
| Term Loans                                 | <b>172,282</b>   | 175,503       | <b>58,826</b>  | 60,279        |
| Junior Sukuk                               | <b>153,279</b>   | 102,280       | -              | -             |
| Bai' Bithaman Ajil Islamic Debt Securities | <b>64,197</b>    | 55,211        | -              | -             |
| Sukuk Ijarah Thumma Bai                    | <b>48,834</b>    | 35,150        | -              | -             |
| Commercial Papers                          | <b>23,282</b>    | 23,651        | -              | -             |
| Others                                     | <b>44,385</b>    | 25,656        | <b>6,980</b>   | 2,926         |
|  | <b>1,380,529</b> | 969,182       | <b>65,806</b>  | 63,205        |

## 8 PROFIT BEFORE TAXATION

|   | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|---|----------------|-------------------------|----------------|---------------------------|
| (i) Profit from operations is stated after charging:  |                |                         |                |                           |
| Allowance for mining exploration expenditure  | 2              | 29                      | 2              | 29                        |
| Auditors' remuneration  |                |                         |                |                           |
| - Statutory audit   | 842            | 732                     | 92             | 92                        |
| - Other services  | 2,306          | 419                     | 50             | 337                       |
| Other auditors' remuneration  |                |                         |                |                           |
| - Statutory audit   | 388            | 221                     | -              | -                         |
| - Other services  | 362            | 2,804                   | -              | -                         |
| Directors' fees (Note 8(ii))  | 711            | 614                     | 518            | 481                       |
| Depreciation of property, plant and equipment   | 647,940        | 580,190                 | 4,448          | 3,744                     |
| Amortisation of prepaid lease payments  | 10,463         | 8,968                   | 57             | 57                        |
| Depreciation of investment properties   | 509            | 524                     | -              | -                         |
| Allowance for doubtful debts  | 47,379         | 88,223                  | -              | -                         |
| Allowance for doubtful debts for<br>amount due from subsidiaries  | -              | -                       | 3              | 3,053                     |
| Realised loss on foreign exchange   | 121            | 464                     | -              | -                         |
| Unrealised loss on foreign exchange   | 342            | 116                     | 6              | 6                         |
| Impairment loss of investment property  | 410            | 694                     | -              | -                         |
| Provision for retirement benefits   | 8,529          | 5,018                   | -              | -                         |
| Hire of plant and machinery   | 76,429         | 61,967                  | -              | -                         |
| Rent of land and buildings  | 63,222         | 52,389                  | 1,496          | 1,469                     |
| Impairment in costs of investment in:   |                |                         |                |                           |
| - subsidiaries  | -              | -                       | -              | 462                       |
| - associate   | 50,608         | -                       | -              | -                         |
| Amortisation of Rights on Power<br>Purchase Agreement and Operations<br>and Maintenance Agreement arising<br>through business combinations: |                |                         |                |                           |
| - subsidiaries  | 365,206        | 207,070                 | -              | -                         |
| - associate   | 36,706         | 23,725                  | -              | -                         |
| Impairment loss on marketable securities  | 521            | -                       | -              | -                         |
| Write-off of property, plant and equipment  | 5,893          | 1,079                   | -              | -                         |
| Amortisation of development<br>expenditure and intellectual property  | 752            | 859                     | -              | -                         |
| Management fees paid to a subsidiary  | -              | -                       | 480            | -                         |
| One off payment in lieu of windfall profit levy   | 211,666        | -                       | -              | -                         |
| Amortisation of Redeemable<br>Convertible Unsecured Loan Stocks   | 126            | -                       | -              | -                         |

**8 PROFIT BEFORE TAXATION (continued)**

|  | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|--|----------------|-------------------------|----------------|---------------------------|
| (i) Profit from operations is stated<br>after charging: (continued)  |                |                         |                |                           |
| Staff costs (including Executive Directors'<br>remuneration (Note 8(ii)):  |                |                         |                |                           |
| - Wages, salaries and bonus  | 269,762        | 216,447                 | 9,540          | 8,965                     |
| - Defined contribution plan  | 24,368         | 25,252                  | 1,101          | 1,222                     |
| - Other employee benefits  | 21,938         | 15,558                  | 932            | 868                       |
| and crediting:   |                |                         |                |                           |
| Realised gain on foreign exchange  | 2,097          | 1,022                   | 98             | 10                        |
| Unrealised gain on foreign exchange  | 1,062          | 1,211                   | -              | -                         |
| Gain on disposal of property, plant and equipment  | 644            | 1,840                   | 71             | 260                       |
| Rental income  | 1,115          | 709                     | 112            | 168                       |
| Write-back of allowance for doubtful debts   | 4,463          | 3,415                   | -              | -                         |
| Amortisation of deferred income  | 134            | 6,259                   | -              | -                         |
| Amortisation of land lease received in advance   | 11,329         | 7,994                   | -              | -                         |
| Bad debts recovered  | -              | 1,308                   | -              | -                         |
| Interest income  | 143,612        | 147,085                 | 1,541          | 3,270                     |
| Excess of the Group's interest in the net fair value<br>of acquiree's identifiable assets, liabilities and<br>contingent liabilities over cost of business combination | 72,184         | -                       | -              | -                         |
| Gain on disposal of:   |                |                         |                |                           |
| - subsidiaries   | 34,893         | -                       | 37,146         | -                         |
| - investments  | -              | 85,597                  | -              | -                         |
| - associated companies   | -              | 1,702                   | -              | 1,263,708                 |
| Gain on liquidation of subsidiaries  | 1,252          | -                       | -              | 55,357                    |
| Gain on deemed disposal of a subsidiary  | -              | 2,153                   | -              | -                         |
| Realisation of foreign exchange<br>gain on liquidation of subsidiaries   | -              | 15,435                  | -              | -                         |
| Write-back of project cost   | -              | 16,815                  | -              | 16,815                    |
| Write-back in cost of investment in associate  | -              | 476                     | -              | -                         |
| Gross dividend income:   |                |                         |                |                           |
| - Associates: Quoted in Malaysia   | -              | -                       | 25,421         | 27,632                    |
| - Subsidiaries: Unquoted in Malaysia   | -              | -                       | 451,037        | 184,815                   |
| - Other investments: Quoted in Malaysia  | 17,787         | 9,712                   | -              | -                         |

## 8 PROFIT BEFORE TAXATION (continued)

### (ii) Directors' remuneration:

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

|   | <b>2008</b>   | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|---|---------------|---------------|---------------|----------------|
|   | <b>RM'000</b> | <b>2007</b>   | <b>RM'000</b> | <b>2007</b>    |
|   |               | <b>RM'000</b> |               | <b>RM'000</b>  |
| Directors of the Company                    |               |               |               |                |
| Non-executive directors:                    |               |               |               |                |
| - fees                                      | <b>711</b>    | 614           | <b>518</b>    | 481            |
| - other emoluments                          | <b>1,761</b>  | 855           | <b>208</b>    | 187            |
| - defined contribution plan                 | <b>351</b>    | 108           | <b>7</b>      | -              |
| - estimated money value of benefits-in-kind | <b>254</b>    | 128           | <b>35</b>     | 32             |
| Executive directors:                        |               |               |               |                |
| - salaries and other emoluments             | <b>3,969</b>  | 1,353         | <b>3,969</b>  | 1,353          |
| - defined contribution plan                 | <b>548</b>    | 199           | <b>548</b>    | 199            |
| - estimated money value of benefits-in-kind | <b>233</b>    | 104           | <b>233</b>    | 104            |
|   | <b>7,827</b>  | 3,361         | <b>5,518</b>  | 2,356          |

Included in the non-executive directors' other emoluments are amounts received by a non-executive director in his capacity as an executive director in a subsidiary company.

## 9 TAX EXPENSE

|   | <b>2008</b>      | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|---|------------------|---------------|---------------|----------------|
|   | <b>RM'000</b>    | <b>2007</b>   | <b>RM'000</b> | <b>2007</b>    |
|   |                  | <b>RM'000</b> |               | <b>RM'000</b>  |
| Current tax:  |                  |               |               |                |
| - Current year Malaysian tax                        | <b>245,130</b>   | 180,190       | <b>82,332</b> | 18,398         |
| - Under/(Over) accrual in prior years (net)         | <b>35,347</b>    | 1,122         | <b>(575)</b>  | (414)          |
|   | <b>280,477</b>   | 181,312       | <b>81,757</b> | 17,984         |
| Deferred tax:                                       |                  |               |               |                |
| - Origination and reversal of temporary differences | <b>(107,924)</b> | (23,794)      | -             | -              |
| - Over accrual in prior years                       | <b>(48,550)</b>  | (519)         | -             | (100)          |
|   | <b>124,003</b>   | 156,999       | <b>81,757</b> | 17,884         |

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

|  | <b>2008</b>      | <b>Group</b>  | <b>2008</b>     | <b>Company</b> |
|--|------------------|---------------|-----------------|----------------|
|  | <b>RM'000</b>    | <b>2007</b>   | <b>RM'000</b>   | <b>2007</b>    |
|  |                  | <b>RM'000</b> |                 | <b>RM'000</b>  |
| Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate |                  |               |                 |                |
| Profit before taxation   | <b>1,015,499</b> | 1,018,042     | <b>405,779</b>  | 1,460,651      |
| Tax calculated at the Malaysian tax rate of 26% (2007: 27%)  | <b>264,030</b>   | 274,871       | <b>105,503</b>  | 394,376        |
| Tax effects of:  |                  |               |                 |                |
| - expenses not deductible for tax purposes   | <b>108,540</b>   | 14,224        | <b>23,896</b>   | 6,618          |
| - income exempted from tax   | <b>(566)</b>     | (3,300)       | <b>(60,632)</b> | (21,451)       |
| - income not subject to tax  | <b>(41,780)</b>  | (29,339)      | <b>(22,710)</b> | (361,404)      |
| - differences in SME tax rate of 20% and corporate tax rate of 26%   | <b>(40)</b>      | (65)          | -               | -              |
| - change in tax rate   | <b>(43,809)</b>  | (63,875)      | -               | -              |
| - temporary differences not recognised   | <b>33,145</b>    | 18,220        | <b>(210)</b>    | 259            |
| - utilisation of previously unrecognised temporary differences and tax losses  | <b>(18,891)</b>  | (13,194)      | -               | -              |
| - investment tax allowance   | <b>(182,009)</b> | (16,608)      | -               | -              |
| - share of results of associates and jointly controlled entities net of tax  | <b>(19,502)</b>  | (24,538)      | -               | -              |
| - share of tax in an unincorporated jointly controlled entity  | -                | -             | <b>36,485</b>   | -              |
| Under/(Over) accrual in prior years (net)  | <b>24,885</b>    | 603           | <b>(575)</b>    | (514)          |
| Tax expense  | <b>124,003</b>   | 156,999       | <b>81,757</b>   | 17,884         |

## 10 EARNINGS PER ORDINARY SHARE

Basic earnings per share and diluted earnings per share are calculated by dividing the net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, which have been adjusted for the effects of the issuance of bonus shares during the year as further disclosed in Note 32 to the financial statements.

|   | <b>Group</b>     |             |
|---|------------------|-------------|
|   | <b>2008</b>      | <b>2007</b> |
| Net profit for the financial year attributable to ordinary equity holders of the Company (RM'000) | <b>527,319</b>   | 551,522     |
| Weighted average number of ordinary shares in issue pursuant to bonus issue ('000)                | <b>3,045,059</b> | 3,045,059   |
| Basic earnings per share (sen)  | <b>17.3</b>      | 18.1        |
| Diluted earnings per share (sen)  | <b>17.3</b>      | 18.1        |

The comparative basic earnings per share has been restated to take into account the effect of the issuance of bonus shares during the year.

## 11 DIVIDENDS

|  | <b>Group and Company</b> |               |
|--|--------------------------|---------------|
|  | <b>2008</b>              | <b>2007</b>   |
|  | <b>RM'000</b>            | <b>RM'000</b> |
| Ordinary:                                    |                          |               |
| Final proposed:                              |                          |               |
| Nil (2007 - 1.0 sen per share, less 26% tax) | -                        | 22,533        |
| Nil (2007 - 2.5 sen per share, tax exempt)   | -                        | 76,127        |
| 2.5 sen per share, single-tier               |                          |               |
| (2007 - 1.5 sen per share, single-tier)      | <b>76,126</b>            | 45,676        |
|  | <b>76,126</b>            | 144,336       |

At the forthcoming Annual General Meeting, a final single-tier dividend of 2.5 sen per share in respect of the financial year ended 31 December 2008 on 3,045,058,552 ordinary shares, amounting to RM76,126,464 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, 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 2009.

## 12 PROPERTY, PLANT AND EQUIPMENT

| Group  | Freehold properties<br>RM'000 | Building and Port structures<br>RM'000 | Mining leases properties<br>RM000 | Power plants<br>RM'000 | Plant, machinery, dredges and other mining equipment<br>RM'000 | Expressway development expenditure<br>RM'000 | Pipeline<br>RM'000 | Capital work in progress<br>RM'000 | C- work in inspection cost<br>RM'000 | Total<br>RM'000 |
|--|-------------------------------|--|-----------------------------------|------------------------|--|--|--------------------|------------------------------------|--------------------------------------|-----------------|
| Cost/valuation   |                               |  |                                   |                        |  |  |                    |                                    |                                      |                 |
| At 1 January 2008                                      |                               |  |                                   |                        |  |  |                    |                                    |                                      |                 |
| - Cost   | 55,447                        | 2,742,863                              | 347                               | 10,547,142             | 1,697,525  | 306,510                                      | 1,009,977          | 324,233                            | 199,036                              | 16,883,080      |
| - Valuation  | 25,981                        | 280                                    | -                                 | -                      | -  | -  | -                  | -                                  | -                                    | 26,261          |
|  | 81,428                        | 2,743,143                              | 347                               | 10,547,142             | 1,697,525  | 306,510                                      | 1,009,977          | 324,233                            | 199,036                              | 16,909,341      |
| Acquisition through business combination               | 1,000                         | 1,183                                  | -                                 | -                      | 3,637  | -  | -                  | 1,955                              | -                                    | 7,775           |
| Disposals of subsidiaries                              | -                             | (18,809)                               | -                                 | -                      | (72,829)   | (306,510)                                    | -                  | (538)                              | -                                    | (398,686)       |
| Disposals  | -                             | -                                      | -                                 | -                      | (13,444)   | -  | -                  | -                                  | -                                    | (13,444)        |
| Additions  | -                             | 33,859                                 | -                                 | 45,362                 | 432,385  | -  | (1,602)*           | 937,993                            | 154,945                              | 1,602,942       |
| Reclassification                                       | -                             | 172,491                                | -                                 | 1,793                  | 397,878  | -  | 36,966             | (609,128)                          | -                                    | -               |
| Transfer to property development expenditure (Note 19) | (3,267)                       | -                                      | -                                 | -                      | -  | -  | -                  | -                                  | -                                    | (3,267)         |
| Write-offs   | (1)                           | -                                      | -                                 | (5,113)                | (1,127)  | -  | -                  | -                                  | -                                    | (6,241)         |
| At 31 December 2008                                    | 79,160                        | 2,931,867                              | 347                               | 10,589,184             | 2,444,025  | -  | 1,045,341          | 654,515                            | 353,981                              | 18,098,420      |

\* The balances consist of additions of RM1,764,000 (2007: RM2,241,000) offsetted against the capital contributions received from customers of RM3,366,000 (2007: RM5,905,000)

## 12 PROPERTY, PLANT AND EQUIPMENT (continued)

| Group                         | Freehold properties<br>RM'000 | Building and Port structures<br>RM'000 | Mining leases properties<br>RM'000 | Power plants<br>RM'000 | Plant, machinery, dredges and other mining equipment<br>RM'000 | Expressway development expenditure<br>RM'000 | Pipeline<br>RM'000 | Capital work in progress<br>RM'000 | C- work in inspection cost<br>RM'000 | Total<br>RM'000 |
|-------------------------------|-------------------------------|--|------------------------------------|------------------------|--|--|--------------------|------------------------------------|--------------------------------------|-----------------|
|                               |                               |  |                                    |                        |  |  |                    |                                    |                                      |                 |
| Accumulated depreciation      |                               |  |                                    |                        |  |  |                    |                                    |                                      |                 |
| At 1 January 2008             | (3,116)                       | (279,201)                              | -                                  | (276,360)              | (636,194)  | (49,497)                                     | (207,572)          | -                                  | (91,711)                             | (1,543,651)     |
| Depreciation (Note 8)         | (583)                         | (65,048)                               | -                                  | (342,977)              | (121,366)  | (1,112)                                      | (34,877)           | -                                  | (81,977)                             | (647,940)       |
| Disposals of subsidiaries     | -                             | 5,525                                  | -                                  | -                      | 53,798   | 50,609                                       | -                  | -                                  | -                                    | 109,932         |
| Disposals                     | -                             | -                                      | -                                  | -                      | 11,865   | -  | -                  | -                                  | -                                    | 11,865          |
| Write-off                     | -                             | -                                      | -                                  | -                      | 348  | -  | -                  | -                                  | -                                    | 348             |
| At 31 December 2008           | (3,699)                       | (338,724)                              | -                                  | (619,337)              | (691,549)  | -  | (242,449)          | -                                  | (173,688)                            | (2,069,446)     |
| Accumulated impairment losses |                               |  |                                    |                        |  |  |                    |                                    |                                      |                 |
| At 1 January 2008             | (10,810)                      | (1,348)                                | -                                  | -                      | (3,633)  | -  | (2,326)            | -                                  | -                                    | (18,117)        |
| Impairment loss               | -                             | -                                      | -                                  | -                      | -  | -  | -                  | -                                  | -                                    | -               |
| At 31 December 2008           | (10,810)                      | (1,348)                                | -                                  | -                      | (3,633)  | -  | (2,326)            | -                                  | -                                    | (18,117)        |
| Net book value                |                               |  |                                    |                        |  |  |                    |                                    |                                      |                 |
| At 31 December 2008           | 64,651                        | 2,591,795                              | 347                                | 9,969,847              | 1,748,843  | -  | 800,566            | 654,515                            | 180,293                              | 16,010,857      |
| At 31 December 2007           | 67,502                        | 2,462,594                              | 347                                | 10,270,782             | 1,057,698  | 257,013                                      | 800,079            | 324,233                            | 107,325                              | 15,347,573      |
| Depreciation for 2007         | (2,535)                       | (57,276)                               | -                                  | (276,360)              | (111,633)  | (6,916)                                      | (33,759)           | -                                  | (91,711)                             | (580,190)       |

## 12 PROPERTY, PLANT AND EQUIPMENT (continued)

| Company   | Freehold<br>properties<br>RM'000 | Mining<br>leases,<br>properties<br>and<br>building<br>RM'000 | Plant,<br>machinery<br>and<br>equipment<br>RM'000 | Total<br>RM'000         |
|---|----------------------------------|--|---|-------------------------|
| Cost  |                                  |  |   |                         |
| At 1 January 2008   | 826                              | 347  | 24,485  | 25,658                  |
| Additions   | -                                | -  | 2,532   | 2,532                   |
| Disposal  | -                                | -  | (309)   | (309)                   |
| At 31 December 2008   | 826                              | 347  | 26,708  | 27,881                  |
| Accumulated depreciation  |                                  |  |   |                         |
| At 1 January 2008   | -                                | -  | (17,987)  | (17,987)                |
| Depreciation  | -                                | -  | (4,448)   | (4,448)                 |
| Disposal  | -                                | -  | 204   | 204                     |
| At 31 December 2008   | -                                | -  | (22,231)  | (22,231)                |
| Net book value  |                                  |  |   |                         |
| At 31 December 2008   | 826                              | 347  | 4,477   | 5,650                   |
| At 31 December 2007   | 826                              | 347  | 6,498   | 7,671                   |
| Depreciation for the<br>year 2007   | -                                | -  | 3,744   | 3,744                   |
| Net book value of property, plant and equipment pledged<br>as security for borrowings (Note 30) |                                  |  | 14,141,690  | 14,689,995              |
|   |                                  |  | 2008<br>RM'000                                    | Group<br>2007<br>RM'000 |

Included in the property, plant and equipment of the Group is interest capitalised at a rate ranging from 5% to 8.9% per annum amounting to RM20.0 million (2007: RM232.4 million).

**12 PROPERTY, PLANT AND EQUIPMENT (continued)**

Certain of the Group's properties in Malaysia are stated at valuation 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.

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

|                     | <b>2008</b>   | <b>Group</b>  |
|---------------------|---------------|---------------|
|                     | <b>RM'000</b> | <b>2007</b>   |
|                     |               | <b>RM'000</b> |
| Freehold properties | <b>11,063</b> | 11,623        |

**13 INVESTMENT PROPERTIES**

|  | <b>2008</b>    | <b>Group</b>  |
|--|----------------|---------------|
|  | <b>RM'000</b>  | <b>2007</b>   |
|  |                | <b>RM'000</b> |
| Cost                                     |                |               |
| At 1 January                             | <b>35,308</b>  | 35,308        |
| Acquisition through business combination | <b>871</b>     | -             |
| Additions                                | <b>111</b>     | -             |
| At 31 December                           | <b>36,290</b>  | 35,308        |
| Accumulated depreciation                 |                |               |
| At 1 January                             | <b>(2,733)</b> | (2,209)       |
| Depreciation                             | <b>(509)</b>   | (524)         |
| At 31 December                           | <b>(3,242)</b> | (2,733)       |
| Accumulated impairment losses            |                |               |
| At 1 January                             | <b>(146)</b>   | (146)         |
| Impairment loss                          | <b>(410)</b>   | -             |
| At 31 December                           | <b>(556)</b>   | (146)         |
| Net book value                           | <b>32,492</b>  | 32,429        |
| Fair value                               | <b>106,079</b> | 99,210        |

All investment properties are freehold properties.

**14 PREPAID LEASE PAYMENTS**

|  | <b>2008</b>     | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|--|-----------------|---------------|---------------|----------------|
|  | <b>RM'000</b>   | <b>2007</b>   | <b>RM'000</b> | <b>2007</b>    |
|  |                 | <b>RM'000</b> |               | <b>RM'000</b>  |
| At 1 January                             | <b>661,204</b>  | 554,745       | <b>4,613</b>  | 4,670          |
| Acquisition through business combination | -               | 115,274       | -             | -              |
| Additions                                | <b>18</b>       | 152           | -             | -              |
| Amortisation for the year                | <b>(10,463)</b> | (8,968)       | <b>(57)</b>   | (57)           |
| At 31 December                           | <b>650,759</b>  | 661,203       | <b>4,556</b>  | 4,613          |

**15 INVESTMENTS IN SUBSIDIARIES**

|  | <b>2008</b>      | <b>Company</b> |
|--|------------------|----------------|
|  | <b>RM'000</b>    | <b>2007</b>    |
|  |                  | <b>RM'000</b>  |
| Shares quoted in Malaysia                              | <b>152,868</b>   | 2,094          |
| Unquoted shares  | <b>6,090,581</b> | 6,061,114      |
|  | <b>6,243,449</b> | 6,063,208      |
| Less: Accumulated impairment losses of unquoted shares | <b>(15,189)</b>  | (15,699)       |
|  | <b>6,228,260</b> | 6,047,509      |
| Market value of quoted investments:                    |                  |                |
| Quoted in Malaysia                                     | <b>131,271</b>   | 11,519         |

No impairment has been made for the differences between the market value of quoted investments and the carrying amount of shares quoted in Malaysia as the effect of the low market value of quoted investments is expected to be temporary.

- (a) On 2 January 2008, MMC Engineering Group Berhad, a 99.9% owned subsidiary, disposed off 7,369,025 ordinary shares of RM1.00 each in Prima Metal Industries Sdn Bhd (formerly known as MMC Metal Industries Sdn Bhd) ("Prima Metal"), representing 75.7% of the equity interest in Prima Metal for a total cash consideration of RM5.5 million resulting in a loss on disposal of RM6.0 million.

The disposals had the following effects on the financial position of the Group as at the end of the year:

|                               | <b>2008</b>    |
|-------------------------------|----------------|
|                               | <b>RM'000</b>  |
| Property, plant and equipment | <b>5,962</b>   |
| Inventories                   | <b>8,337</b>   |
| Trade and other receivables   | <b>9,319</b>   |
| Cash and cash equivalents     | <b>1,412</b>   |
| Trade and other payables      | <b>(9,384)</b> |

**15 INVESTMENTS IN SUBSIDIARIES (continued)**

|  | <b>2008<br/>RM'000</b> |
|--|------------------------|
| Other non-current liabilities                    | (716)                  |
| Minority interest                                | (3,477)                |
| Fair value of net assets disposed                | <b>11,453</b>          |
| Total disposal proceeds                          | <b>(5,500)</b>         |
| Loss on disposal to the Group                    | <b>5,953</b>           |
| Cash inflow arising from disposal:               |                        |
| Cash consideration                               | <b>5,500</b>           |
| Cash and cash equivalents of subsidiary disposed | <b>(1,412)</b>         |
| Net cash inflow of the Group                     | <b>4,088</b>           |

- (b) On 13 March 2008, the Company disposed off 5,000,000 ordinary shares of RM1.00 each in Konsortium Lebuhraya Butterworth - Kulim Sdn Bhd ("KLBK"), representing 100% of the equity interest in KLBK for a total cash consideration of RM134.0 million resulting in a gain of RM43.5 million.

The disposals had the following effects on the financial position of the Group as at the end of the year:

|  | <b>2008<br/>RM'000</b> |
|--|------------------------|
| Property, plant and equipment                    | <b>268,532</b>         |
| Deferred tax assets                              | <b>3,571</b>           |
| Trade and other receivables                      | <b>770</b>             |
| Cash and cash equivalents                        | <b>47,945</b>          |
| Trade and other payables                         | <b>(9,707)</b>         |
| Other current liabilities                        | <b>(76)</b>            |
| Borrowings                                       | <b>(172,825)</b>       |
| Other non-current liabilities                    | <b>(47,675)</b>        |
| Fair value of net assets disposed                | <b>90,535</b>          |
| Total disposal proceeds                          | <b>(134,000)</b>       |
| Gain on disposal to the Group                    | <b>(43,465)</b>        |
| Cash inflow arising from disposal:               |                        |
| Cash consideration                               | <b>134,000</b>         |
| Cash and cash equivalents of subsidiary disposed | <b>(47,945)</b>        |
| Net cash inflow of the Group                     | <b>86,055</b>          |

## 15 INVESTMENTS IN SUBSIDIARIES (continued)

- (c) On 29 May 2008, Anglo-Oriental (Malaya) Sdn Bhd, a 100.00% owned subsidiary, liquidated 2 ordinary shares of RM1.00 each in Pesiaran Properties Sdn Bhd ("Pesiaran Properties"), representing 100.00% of the equity interest in Pesiaran Properties.
- (d) On 18 August 2008, the Company liquidated 510,000 ordinary shares of RM1.00 each in MMC-Transfield Services Sdn Bhd ("MMC-Transfield"), representing 51% of the equity interest in MMC-Transfield resulting in a gain of RM1.3 million.
- (e) On 3 November 2008, the Company completed the acquisition of 165,253,604 ordinary shares of RM1.00 each and 1,050,589 Redeemable Convertible Unsecured Loan Stocks ("RCULS") of RM1.00 each in Aliran Ihsan Resources Berhad ("AIRB") representing approximately 74.36% and 2.45% equity interest respectively for a total cash consideration of RM150.8 million satisfied entirely by cash.

The acquisition contributed revenue of RM10.3 million and profit of RM0.5 million to the Group for the period ended from 3 November 2008 to 31 December 2008. Had the acquisition taken effect at the beginning of the period, the revenue and profit contributed to the Group would have been RM90.2 million and RM35.9 million respectively.

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

|   | <b>Carrying value/Fair value<br/>(upon acquisition)</b><br>RM'000 |
|---|---|
| Property, plant and equipment   | 7,775   |
| Investment property   | 871   |
| Investment in associates  | 202,678   |
| Deferred taxation   | 4,003   |
| Inventories   | 901   |
| Trade and other receivables   | 87,582  |
| Other current assets  | 2,985   |
| Cash and cash equivalents   | 69,842  |
| Trade and other payables  | (30,153)  |
| Other current liabilities   | (3,883)   |
| Borrowings  | (281)   |
| Deferred taxation   | (916)   |
| Other non-current liabilities   | (38,548)  |
| Fair value of net assets acquired   | 302,856   |
| Excess of Group's interest in the fair value of identifiable net assets<br>acquired over the cost of business | (72,184)  |
| Minority interests  | (79,898)  |
| Net consideration   | 150,774   |
| Less: Cash and cash equivalents of subsidiary acquired  | (69,842)  |
| Cash outflow of the Group on acquisition through business combination   | 80,932  |

## 15 INVESTMENTS IN SUBSIDIARIES (continued)

- (e) As of the date of this report, management has yet to finalise the Purchase Price Allocation (“PPA”) for the business combination, as required by FRS 3. The intangible assets and the excess of Group’s interest in the fair value of identifiable net assets acquired over the cost of business arising from the business combination has been derived only on a provisional basis.

Based on the preliminary assessment, the intangible asset associated to the concession agreement is estimated at RM3.0 million. Pending the finalisation of the PPA, management has decided not to take up this intangible asset in the current financial year as it is immaterial to the Group. Management has 12 months from the date of completion of the acquisition to complete the PPA and the initial accounting for the transaction. Upon finalisation of the PPA, MMC will recognise any adjustments to the provisional values of the intangible assets and excess of Group’s interest in the fair value of identifiable net assets acquired over the cost of business arising from the business combination.

- (f) On 20 November 2008, Anglo-Oriental (Annuities) Sdn Bhd, a 100% owned subsidiary, disposed off its 100% interest in Amalan Rantau Sdn Bhd (“Amalan Rantau”) comprising 10 ordinary shares of RM1.00 each for a total cash consideration of RM6.0 million whereby Amalan Rantau is the registered and beneficial owner of 75.61% of the issued and paid-up capital of Seginiaga Rubber Industries Sdn Bhd (“Seginiaga”), resulting in a loss of disposal of RM2.6 million.

The disposals had the following effects on the financial position of the Group as at the end of the year:

|  | <b>Amalan Rantau</b><br>RM'000 | <b>Seginiaga</b><br>RM'000 | <b>Total</b><br>RM'000 |
|--|--------------------------------|----------------------------|------------------------|
| Property, plant and equipment                    | -                              | 14,132                     | 14,132                 |
| Intangible assets                                | -                              | 1,579                      | 1,579                  |
| Inventories                                      | -                              | 6,279                      | 6,279                  |
| Trade and other receivables                      | -                              | 6,436                      | 6,436                  |
| Other current assets                             | -                              | 111                        | 111                    |
| Cash and cash equivalents                        | -                              | (1,034)                    | (1,034)                |
| Trade and other payables                         | (4,168)                        | (9,336)                    | (13,504)               |
| Other current liabilities                        | -                              | (88)                       | (88)                   |
| Minority interest                                | -                              | (4,411)                    | (4,411)                |
| Fair value of net assets disposed                | (4,168)                        | 13,668                     | 9,500                  |
| Less: Negative goodwill                          |                                |                            | (881)                  |
|  |                                |                            | 8,619                  |
| Total disposal proceeds                          |                                |                            | (6,000)                |
| Loss on disposal to the Group                    |                                |                            | 2,619                  |
| Cash inflow arising from disposal:               |                                |                            |                        |
| Cash consideration                               |                                |                            | 6,000                  |
| Cash and cash equivalents of subsidiary disposed |                                |                            | 1,034                  |
| Net cash inflow of the Group                     |                                |                            | 7,034                  |

**15 INVESTMENTS IN SUBSIDIARIES (continued)**

Net cash inflow/(outflow) from the above business combination and dilution of interest in subsidiaries are as follows:

|  | <b>Group</b><br>RM'000 |
|--|------------------------|
| Net cash inflow on disposal of subsidiaries:   |                        |
| (a) on disposal of Prima Metal   | 4,088                  |
| (b) on disposal of KLBK  | 86,055                 |
| (c) on disposal of Amalan Rantau and Seginiaga   | 7,034                  |
|  | 97,177                 |
| Net cash (outflow)/inflow from liquidation of subsidiaries:                                  |                        |
| (a) on liquidation of Pesiaran Properties  | (2)                    |
| (b) on liquidation of MMC-Transfield   | 42                     |
|  | 40                     |
| Net cash outflow from acquisition of subsidiaries:   |                        |
| (a) on acquisition of AIRB   | (80,932)               |
|  | (80,932)               |
| Total net cash inflow from the business combination and dilution of interest in subsidiaries | 16,285                 |

Details of the subsidiaries are shown in Note 44.

**16 INVESTMENTS IN ASSOCIATES**

|                                     | <b>2008</b><br><b>RM'000</b> | <b>Group</b><br>2007<br>RM'000 | <b>2008</b><br><b>RM'000</b> | <b>Company</b><br>2007<br>RM'000 |
|-------------------------------------|------------------------------|--------------------------------|------------------------------|----------------------------------|
| Shares quoted in Malaysia, at cost  | 165,031                      | 165,031                        | 163,046                      | 163,046                          |
| Unquoted shares, at cost            | 1,749,347                    | 1,638,167                      | -                            | 4,776                            |
| Share of post-acquisition reserves  | 159,603                      | 241,886                        | -                            | -                                |
|                                     | 2,073,981                    | 2,045,084                      | 163,046                      | 167,822                          |
| Less: Accumulated impairment losses | (123,940)                    | (78,107)                       | (6,409)                      | (11,185)                         |
|                                     | 1,950,041                    | 1,966,977                      | 156,637                      | 156,637                          |

**16 INVESTMENTS IN ASSOCIATES (continued)**

|  | <b>2008</b>      | <b>Group</b>  |
|--|------------------|---------------|
|  | <b>RM'000</b>    | <b>2007</b>   |
|  |                  | <b>RM'000</b> |
| Represented by:  |                  |               |
| Group's share of net assets other than goodwill                                | <b>1,086,176</b> | 1,114,171     |
| Group's share of goodwill in associates' own consolidated financial statements | <b>18,561</b>    | 18,561        |
| Intangible assets arising from acquisition through business combinations       | <b>845,304</b>   | 834,245       |
|  | <b>1,950,041</b> | 1,966,977     |

|                                    | <b>2008</b>    | <b>Group</b>  | <b>2008</b>    | <b>Company</b> |
|------------------------------------|----------------|---------------|----------------|----------------|
|                                    | <b>RM'000</b>  | <b>2007</b>   | <b>RM'000</b>  | <b>2007</b>    |
|                                    |                | <b>RM'000</b> |                | <b>RM'000</b>  |
| Market value of quoted associates: |                |               |                |                |
| Shares quoted in Malaysia          | <b>204,501</b> | 1,224,690     | <b>203,767</b> | 1,223,221      |

Summarised financial information in respect of the Group's associates are as follows:

|                               | <b>2008</b>        | <b>Group</b>  |
|-------------------------------|--------------------|---------------|
|                               | <b>RM'000</b>      | <b>2007</b>   |
|                               |                    | <b>RM'000</b> |
| Revenue                       | <b>1,608,831</b>   | 1,111,776     |
| Profit for the financial year | <b>100,229</b>     | 95,468        |
| Total assets                  | <b>4,357,683</b>   | 3,927,761     |
| Total liabilities             | <b>(2,407,642)</b> | (1,960,784)   |
|                               | <b>1,950,041</b>   | 1,966,977     |

Details of the Group's associates and the accounting periods used for applying the equity method of accounting for the associates' results are shown in Note 44.

The Group has discontinued the recognition of its share of losses of its inactive associates as the share of losses of these associates has exceeded the Group's interest in those associates. The unrecognised shares of losses of these associates for the current year and cumulatively were immaterial to the Group. The details of inactive associates are disclosed in Note 44.

## 17 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group's share of income and expenses, assets and liabilities of the jointly controlled entities are as follows:

|                     | <b>2008</b>      | <b>Group</b>  |
|---------------------|------------------|---------------|
|                     | <b>RM'000</b>    | <b>2007</b>   |
|                     |                  | <b>RM'000</b> |
| Income              | <b>1,106,307</b> | 123,986       |
| Expenses            | <b>(950,061)</b> | (128,571)     |
|                     | <b>156,246</b>   | (4,585)       |
| Non-current assets  | <b>384,700</b>   | 163,389       |
| Current assets      | <b>494,556</b>   | 101,843       |
| Current liabilities | <b>(564,758)</b> | (111,980)     |
| Net assets          | <b>314,498</b>   | 153,252       |

Details of the Group's jointly controlled entities are shown in Note 44.

## 18 OTHER INVESTMENTS

|                                     | <b>2008</b>     | <b>Group</b>  | <b>2008</b>    | <b>Company</b> |
|-------------------------------------|-----------------|---------------|----------------|----------------|
|                                     | <b>RM'000</b>   | <b>2007</b>   | <b>RM'000</b>  | <b>2007</b>    |
|                                     |                 | <b>RM'000</b> |                | <b>RM'000</b>  |
| At cost:                            |                 |               |                |                |
| Shares quoted outside Malaysia      | <b>13,172</b>   | 13,172        | -              | -              |
| Unquoted shares                     | <b>2,000</b>    | 2,000         | <b>2,000</b>   | 2,000          |
|                                     | <b>15,172</b>   | 15,172        | <b>2,000</b>   | 2,000          |
| Less: Accumulated impairment losses |                 |               |                |                |
| - Shares quoted outside Malaysia    | <b>(13,172)</b> | (13,172)      | -              | -              |
| - Unquoted shares                   | <b>(2,000)</b>  | (2,000)       | <b>(2,000)</b> | (2,000)        |
|                                     | -               | -             | -              | -              |
| Market value of quoted investments: |                 |               |                |                |
| - Shares quoted outside Malaysia    | <b>5,504</b>    | 5,389         |                |                |

The market value of quoted investment approximates its fair value.

## 19 PROPERTY DEVELOPMENT EXPENDITURE

|   | <b>2008</b>   | <b>Group</b>  |
|---|---------------|---------------|
|   | <b>RM'000</b> | <b>2007</b>   |
|   |               | <b>RM'000</b> |
| At 1 January  | -             | -             |
| Transfer of freehold land from property, plant and equipment<br>(Note 12) | <b>3,267</b>  | -             |
| Development expenditure   | <b>37,381</b> | -             |
|   | <b>40,648</b> | -             |

A subsidiary of MMC Corporation Berhad has entered into a Joint Land Development Agreement ("JLDA") with Exquisite Skyline Sdn Bhd ("ESSB"), a subsidiary of United Malayan Land Berhad. The purpose of JLDA is to develop a piece of freehold land located at Pesiaran Raja Chulan into a commercial development of 310 units of service residences. As at 31 December 2008, the proposed development has not commenced. During the current financial year, the subsidiary received a deposit of RM2,000,000 from ESSB, of which the deposit forms part of the other payables balance (Note 31). The subsidiary's participation in the JLDA is via the injection of the land.

In consideration of the development right granted by the subsidiary to ESSB, ESSB shall pay and the subsidiary agrees to accept a sum of 50% of the development profit before tax and before land cost or RM20,000,000 whichever is higher.

Development expenditure represents the cost incurred in relation to the development in a subsidiary's long leasehold land as stated in Note 14 to the financial statements.

## 20 AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia 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 (2007: RM264.5 million). The terms of the Redeemable Convertible Subordinated Loans are as disclosed in Note 35.

|  | <b>2008</b>      | <b>Company</b> |
|--|------------------|----------------|
|  | <b>RM'000</b>    | <b>2007</b>    |
|  |                  | <b>RM'000</b>  |
| Fair values of amounts due from/ to subsidiaries are as follows: |                  |                |
| Amounts due from subsidiaries                                    | <b>609,550</b>   | 461,824        |
| Amounts due to subsidiaries                                      | <b>1,229,150</b> | 1,431,296      |

**21 OTHER ASSETS**

|  | <b>Group and Company</b> |               |
|--|--------------------------|---------------|
|  | <b>2008</b>              | <b>2007</b>   |
|  | <b>RM'000</b>            | <b>RM'000</b> |
| Mining exploration expenditure, at cost      | <b>9,962</b>             | 9,960         |
| Less: Accumulated impairment losses          |                          |               |
| At 1 January                                 | <b>(9,960)</b>           | (9,931)       |
| Charge for the year                          | <b>(2)</b>               | (29)          |
| At 31 December                               | <b>(9,962)</b>           | (9,960)       |
| Carrying value                               | -                        | -             |
|  |                          |               |
|  | <b>2008</b>              | <b>Group</b>  |
|  | <b>RM'000</b>            | <b>2007</b>   |
|  |                          | <b>RM'000</b> |
| Staff loans to eligible staff                | <b>9,800</b>             | 10,552        |
| Repayments due within the next twelve months | <b>(1,556)</b>           | (800)         |
|  | <b>8,244</b>             | 9,752         |
| Analysis of repayment schedule:              |                          |               |
| Within 1 year                                | <b>1,556</b>             | 800           |
| From 1 to 2 years                            | <b>1,768</b>             | 1,421         |
| From 2 to 5 years                            | <b>2,275</b>             | 2,494         |
| After 5 years                                | <b>4,201</b>             | 5,837         |
|  | <b>9,800</b>             | 10,552        |

## 22 INTANGIBLE ASSETS

| Group                           | Rights on Power<br>Purchase Agreement<br>and Operations<br>Maintenance<br>Agreement<br>RM'000 | Goodwill on<br>consolidation<br>RM'000 | Intellectual<br>property<br>RM'000 | Development<br>expenditure<br>RM'000 | Total<br>RM'000 |
|---------------------------------|---|--|------------------------------------|--------------------------------------|-----------------|
| Cost                            |   |  |                                    |                                      |                 |
| At 1 January 2008               | 7,103,796   | 2,052,990                              | 8,000                              | 3,050                                | 9,167,836       |
| Effects of adopting FRS 112     | -   | (196,774)                              | -                                  | -                                    | (196,774)       |
| As restated                     | 7,103,796   | 1,856,216                              | 8,000                              | 3,050                                | 8,971,062       |
| Addition                        | -   | -                                      | -                                  | 171                                  | 171             |
| Deemed disposal of a subsidiary | -   | -                                      | -                                  | (3,221)                              | (3,221)         |
| At 31 December 2008             | 7,103,796   | 1,856,216                              | 8,000                              | -                                    | 8,968,012       |
| Amortisation/Impairment losses  |   |  |                                    |                                      |                 |
| At 1 January 2008               |   |  |                                    |                                      |                 |
| - Accumulated amortisation      | (207,070)   | -                                      | (800)                              | (1,157)                              | (209,027)       |
| Amortisation charge             | (365,206)   | -                                      | (267)                              | (485)                                | (365,958)       |
| Deemed disposal of a subsidiary | -   | -                                      | -                                  | 1,642                                | 1,642           |
| At 31 December 2008             | (572,276)   | -                                      | (1,067)                            | -                                    | (573,343)       |
| Net book value                  |   |  |                                    |                                      |                 |
| At 31 December 2008             | 6,531,520   | 1,856,216                              | 6,933                              | -                                    | 8,394,669       |
| At 31 December 2007             | 6,896,726   | 1,856,216                              | 7,200                              | 1,893                                | 8,762,035       |
| Amortisation charge for 2007    | (207,070)   | -                                      | (267)                              | (592)                                | (207,929)       |

## 22 INTANGIBLE ASSETS (continued)

### Goodwill on consolidation

The carrying amounts of goodwill arising from the acquisition of the respective subsidiaries allocated to the Group's Cash Generating Units ("CGUs") are as follows:

|  | 2008<br>RM'000   | 2007<br>RM'000   |
|--|------------------|------------------|
| Pelabuhan Tanjung Pelepas Sdn Bhd  |                  |                  |
| - Port Business  | 1,512,366        | 1,512,366        |
| Malakoff Corporation Berhad  |                  |                  |
| - Electricity Generation Business  | 340,392          | 340,392          |
| Recycle Energy Sdn Bhd   |                  |                  |
| - Management and treatment of municipal solid waste and production of renewable energy | 3,458            | 3,458            |
|  | <b>1,856,216</b> | <b>1,856,216</b> |

### (A) Port Business

The recoverable amount of Port Business is determined based on a "value in use" calculation. The "value in use" of Port Business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU including goodwill by RM962 million.

The "value in use" is derived based on management's cash flow projections for 5 financial years from 2009 to 2013 and the key assumptions used in the calculation of "value in use" are as follows:

- Based on the business plan, the projected annual Twenty-Foot Equivalent Unit ("TEU") over the projection period from 2009 to 2013, will be in the region of 5.8 million to 8.5 million;
- The cash flow projections after 2013 are extrapolated to the end of the concession period using a nominal long-term growth rate of 3.5% per annum which takes into consideration the long term average global GDP, inflation and average growth rate for the industry; and
- A pre-tax discount rate of 9.0% per annum.

Management's judgement is involved in estimating the future cash flows of Port Business. The "value in use" is sensitive to, amongst others, the projected cash flows during the explicit projection period and the assumptions regarding the long term sustainable pattern of cash flows thereafter.

The circumstances where a reasonably possible change in the key assumptions will cause an impairment loss to be recognised include the following:

- A decrease of more than 6.5% per annum in the total projected annual TEU in each financial year over the projection period; or
- Long term growth rate beyond the explicit projection period is lower than 2.4% per annum; or
- Pre-tax discount rate is higher than 10.0%.

## 22 INTANGIBLE ASSETS (continued)

### (A) Port Business (continued)

If the total projected annual TEU in each financial year over the projection period was to reduce by an additional 0.5% per annum from the breakeven point as mentioned in (i) above (i.e. decrease of 7.0% per annum in the total projected annual TEU in each financial year over the projection period), the impairment charge would approximately be RM67 million.

Had the pre-tax discount rate been 0.1% higher from the breakeven point as mentioned in note (iii) above (discount rate of 10.1%), the impairment charge would be approximately RM86 million.

### (B) Electricity Generation Business

The impairment of goodwill test on the Electricity Generation Business ("EGB") was conducted using its "value in use" as its recoverable amount. The "value in use" for EGB was determined by discounting the future cash flows generated from the continuing use of its power plants based on management's cash flow projections for 23 financial years from 2009 to 2031. Management believes that a period greater than 5 years used in the cash flow projections is justified as the income derived during the extended period can be supported by its PPA and OMA which has a remaining useful life ranging from 9 to 23 years.

The key assumptions used in the calculation of "value in use" as extracted from the respective PPAs are as follows:

- (a) Revenue was determined based on the power plants operating at 70% of its dependable capacity over the projection period at a fixed and variable operating rate determined by the PPA.
- (b) A pre-tax discount rate of 10.0% was applied over the period of cash flow projections in determining the recoverable amount of the EGB.
- (c) It is assumed that the terms of the PPAs will remain unchanged throughout the concession period.
- (d) Remaining useful life of PPA/OMA 9 - 23 years
- (e) Dependable capacity 350MW - 2,420MW
- (f) Capacity factor 45% to 82% of dependable capacity
- (g) Net electrical output (million kW/hour) 2,300 - 15,052
- (h) Capacity Rate (RM/kW/month) 11.61 - 50.00
- (i) Fixed Operating Rate under Revenue (RM/kW/ month) 4.40 - 10.50
- (j) Variable Operating Rate under Revenue (RM/kW/ month) 0.006 - 0.031
- (k) Fuel price (RM/mBtu) 13.56 - 28.20
- (l) Coal and gas price (RM/gJ) 6.68 - 12.00
- (m) Variable Operating Rate under Cost (RM/kWh) 0.013 - 0.031
- (n) Fixed Operating Rate under Cost (RM/kW/month) 2.08 - 7.55
- (o) Malakoff Corporation Berhad will be able to obtain tax benefits equivalent to the Section 110 credits which would have otherwise been lost upon adoption of the single-tier tax system, the mechanics of which is subject to approval by the relevant authorities (the cash flows have been adjusted to incorporate the above tax effect).
- (p) It is assumed that the residual value of the respective power plants is based on a five (5) year extension discounted cash flows as described in Note 3(b) Critical Accounting Estimate and Judgements.

If the residual value of the power plant does not materialise, there will be impairment to the goodwill and intangible assets.

## 23 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:

|  | <b>2008</b>        | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|--|--------------------|---------------|---------------|----------------|
|  | <b>RM'000</b>      | <b>2007</b>   | <b>RM'000</b> | <b>2007</b>    |
|  | <b>RM'000</b>      | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  |
| Deferred tax assets                      | <b>417,315</b>     | 269,171       | -             | -              |
| Deferred tax liabilities:                |                    |               |               |                |
| - subject to income tax                  | <b>(3,096,100)</b> | (3,103,946)   | -             | -              |
|  | <b>(2,678,785)</b> | (2,834,775)   | -             | -              |
| At 1 January                             | <b>(2,834,775)</b> | (4,694)       | -             | (100)          |
| (Charged)/credited to income statement:  |                    |               |               |                |
| - property, plant and equipment          | <b>(60,870)</b>    | (52,019)      | <b>58</b>     | 59             |
| - receivables                            | <b>105</b>         | (2,385)       | -             | -              |
| - payables                               | <b>(126)</b>       | (518)         | -             | -              |
| - tax losses                             | <b>(119)</b>       | 530           | -             | -              |
| - provisions                             | <b>(48,837)</b>    | 18,180        | <b>(33)</b>   | 41             |
| - intangibles                            | <b>125,269</b>     | 58,148        | -             | -              |
| - investment tax allowance               | <b>126,204</b>     | -             | -             | -              |
| - others                                 | <b>14,848</b>      | 2,377         | <b>(25)</b>   | -              |
|  | <b>156,474</b>     | 24,313        | -             | 100            |
| Disposal of a subsidiary company         | <b>(3,571)</b>     | -             | -             | -              |
| Acquisition through business combination | <b>3,087</b>       | (2,854,394)   | -             | -              |
| At 31 December                           | <b>(2,678,785)</b> | (2,834,775)   | -             | -              |

**23 DEFERRED TAXATION (continued)**

|  | <b>Group</b>       |                    | <b>Company</b> |               |
|--|--------------------|--------------------|----------------|---------------|
|  | <b>2008</b>        | <b>2007</b>        | <b>2008</b>    | <b>2007</b>   |
|  | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>  | <b>RM'000</b> |
| Subject to income tax:                       |                    |                    |                |               |
| Deferred tax assets (before offsetting)      |                    |                    |                |               |
| Property, plant and equipment                | -                  | -                  | 86             | 50            |
| Receivables                                  | 105                | 12,653             | -              | -             |
| Payables                                     | -                  | 126                | -              | -             |
| Tax losses                                   | -                  | 14,295             | -              | -             |
| Provisions                                   | 17,117             | 43,170             | 79             | 112           |
| Investment tax allowances                    | 418,885            | 292,681            | -              | -             |
| Others                                       | -                  | 3,006              | -              | -             |
|  | <b>436,107</b>     | <b>365,931</b>     | <b>165</b>     | <b>162</b>    |
| Offsetting                                   | <b>(18,792)</b>    | <b>(96,760)</b>    | <b>(165)</b>   | <b>(162)</b>  |
| Deferred tax assets (after offsetting)       | <b>417,315</b>     | <b>269,171</b>     | <b>-</b>       | <b>-</b>      |
| Deferred tax liabilities (before offsetting) |                    |                    |                |               |
| Property, plant and equipment                | (1,272,881)        | (1,234,730)        | (140)          | (162)         |
| Intangibles                                  | (1,823,785)        | (1,949,054)        | -              | -             |
| Provisions                                   | (18,226)           | -                  | -              | -             |
| Others                                       | -                  | (16,922)           | (25)           | -             |
|  | <b>(3,114,892)</b> | <b>(3,200,706)</b> | <b>(165)</b>   | <b>(162)</b>  |
| Offsetting                                   | <b>18,792</b>      | <b>96,760</b>      | <b>165</b>     | <b>162</b>    |
| Deferred tax liabilities (after offsetting)  | <b>(3,096,100)</b> | <b>(3,103,946)</b> | <b>-</b>       | <b>-</b>      |

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:

|                                  | <b>Group</b>   |                |
|----------------------------------|----------------|----------------|
|                                  | <b>2008</b>    | <b>2007</b>    |
|                                  | <b>RM'000</b>  | <b>RM'000</b>  |
| Deductible temporary differences | 1,985          | 9,687          |
| Tax losses                       | 386,297        | 323,772        |
|                                  | <b>388,282</b> | <b>333,459</b> |

**24 INVENTORIES**

|  | <b>2008</b>    | <b>Group</b>  |
|--|----------------|---------------|
|  | <b>RM'000</b>  | <b>2007</b>   |
|  |                | <b>RM'000</b> |
| At net realisable value:                           |                |               |
| Spares, consumables and container repair materials | <b>403,356</b> | 347,536       |
| Diesels and Fuels                                  | <b>53,896</b>  | 55,082        |
| Coals  | <b>215,976</b> | 111,011       |
| Chemicals  | <b>850</b>     | -             |
| Raw materials                                      | <b>348</b>     | 4,312         |
| Work-in-progress                                   | -              | 8,761         |
| Manufactured inventories                           | -              | 1,594         |
|  | <b>674,426</b> | 528,296       |

Inventories of the Group of RM35.9 million (2007: RM26.8 million) comprising spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 30.

**25 NON-CURRENT ASSETS HELD FOR SALE**

|                            | <b>2008</b>   | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|----------------------------|---------------|---------------|---------------|----------------|
|                            | <b>RM'000</b> | <b>2007</b>   | <b>RM'000</b> | <b>2007</b>    |
|                            |               | <b>RM'000</b> |               | <b>RM'000</b>  |
| Leasehold land             | -             | 192           | -             | -              |
| Investment in a subsidiary | -             | -             | -             | 11,448         |
|                            | -             | 192           | -             | 11,448         |

## 26 TRADE AND OTHER RECEIVABLES

|   | <b>2008</b>      | <b>Group</b>  | <b>2008</b>    | <b>Company</b> |
|---|------------------|---------------|----------------|----------------|
|   | <b>RM'000</b>    | <b>2007</b>   | <b>RM'000</b>  | <b>2007</b>    |
|   |                  | <b>RM'000</b> |                | <b>RM'000</b>  |
| Trade receivables                             | <b>1,194,342</b> | 1,101,798     | <b>3,172</b>   | 3,173          |
| Less: Allowance for doubtful debts            | <b>(213,682)</b> | (97,541)      | <b>(8)</b>     | (8)            |
|   | <b>980,660</b>   | 1,004,257     | <b>3,164</b>   | 3,165          |
| Other receivables                             | <b>419,114</b>   | 193,087       | <b>37,048</b>  | 510            |
| Less: Allowance for doubtful debts            | <b>(2,157)</b>   | (3,619)       | <b>(505)</b>   | -              |
|   | <b>416,957</b>   | 189,468       | <b>36,543</b>  | 510            |
| Deposits                                      | <b>43,591</b>    | 36,738        | <b>1,072</b>   | 1,437          |
| Prepayments                                   | <b>542,443</b>   | 263,189       | <b>341,694</b> | -              |
|   | <b>1,002,991</b> | 489,395       | <b>379,309</b> | 1,947          |
| Amounts due from contract customers (Note 39) | <b>32,157</b>    | 53,959        | -              | -              |
| Amounts due from associates                   | <b>145,012</b>   | 160,348       | -              | 1,895          |
| Less: Allowance for doubtful debts            | -                | -             | -              | (1,648)        |
|   | <b>145,012</b>   | 160,348       | -              | 247            |
| Amounts due from jointly controlled entities  | <b>76,406</b>    | 9,644         | <b>76,406</b>  | 51,138         |
|   | <b>2,237,226</b> | 1,717,603     | <b>458,879</b> | 56,497         |

Included in other receivables of the Group are permanent resettlement costs of RM0.4 million (2007: RM0.4 million). These costs are recoverable from the sale of the permanent resettlement houses.

Included in prepayments of the Group and of the Company is a deposit of RM340 million (2007: Nil) for the proposed acquisition of Senai Airport Terminal Services Sdn Bhd.

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

|  | <b>2008</b>    | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|--|----------------|---------------|---------------|----------------|
|  | <b>RM'000</b>  | <b>2007</b>   | <b>RM'000</b> | <b>2007</b>    |
|  |                | <b>RM'000</b> |               | <b>RM'000</b>  |
| The currency exposure profile of trade receivables are as follows: |                |               |               |                |
| - Ringgit Malaysia   | <b>972,151</b> | 987,465       | -             | -              |
| - US Dollar  | <b>8,509</b>   | 10,353        | <b>3,164</b>  | 3,165          |
| - Australian Dollar  | -              | 5,118         | -             | -              |
| - Others   | -              | 1,321         | -             | -              |
|  | <b>980,660</b> | 1,004,257     | <b>3,164</b>  | 3,165          |

**26 TRADE AND OTHER RECEIVABLES (continued)**

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.

**27 AMOUNT DUE FROM HOLDING COMPANY**

|                                 | <b>Group and Company</b> |               |
|---------------------------------|--------------------------|---------------|
|                                 | <b>2008</b>              | <b>2007</b>   |
|                                 | <b>RM'000</b>            | <b>RM'000</b> |
| Amount due from holding company | <b>13,780</b>            | 15,780        |

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

**28 MARKETABLE SECURITIES**

|   | <b>2008</b>    | <b>Group</b>  |
|---|----------------|---------------|
|   | <b>RM'000</b>  | <b>2007</b>   |
|   |                | <b>RM'000</b> |
| Shares in a corporation quoted in Malaysia, at cost | <b>62,151</b>  | 61,599        |
| Less: Accumulated impairment losses                 | <b>(914)</b>   | (393)         |
|   | <b>61,237</b>  | 61,206        |
| Market value:                                       |                |               |
| - quoted in Malaysia                                | <b>188,778</b> | 351,087       |
| - quoted outside Malaysia                           | <b>5,504</b>   | 5,389         |
|   | <b>194,282</b> | 356,476       |

Marketable securities amounting to RM35.8 million (2007: RM55.3 million) are pledged as security for borrowings as disclosed in Note 30.

## 29 DEPOSITS, BANK AND CASH BALANCES

|                              | <b>Group</b>     |               | <b>Company</b> |               |
|------------------------------|------------------|---------------|----------------|---------------|
|                              | <b>2008</b>      | <b>2007</b>   | <b>2008</b>    | <b>2007</b>   |
|                              | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Deposits with:               |                  |               |                |               |
| Licensed banks               | <b>1,917,633</b> | 2,846,205     | <b>31,045</b>  | 74,951        |
| Finance companies            | <b>762,752</b>   | 80,243        | -              | -             |
| Other financial institutions | <b>686,640</b>   | 6,641         | <b>28,783</b>  | 2,017         |
|                              | <b>3,367,025</b> | 2,933,089     | <b>59,828</b>  | 76,968        |
| Cash and bank balances       | <b>420,284</b>   | 377,685       | <b>5,143</b>   | 2,564         |
|                              | <b>3,787,309</b> | 3,310,774     | <b>64,971</b>  | 79,532        |

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

|                     |                  |           |               |        |
|---------------------|------------------|-----------|---------------|--------|
| - Ringgit Malaysia  | <b>3,765,563</b> | 3,306,527 | <b>62,623</b> | 77,441 |
| - US Dollar         | <b>19,288</b>    | 2,156     | <b>14</b>     | -      |
| - Australian Dollar | <b>1,586</b>     | 1,390     | <b>1,611</b>  | 1,390  |
| - Pound Sterling    | <b>723</b>       | 701       | <b>723</b>    | 701    |
| - IRD Indonesian    | <b>149</b>       | -         | -             | -      |
|                     | <b>3,787,309</b> | 3,310,774 | <b>64,971</b> | 79,532 |

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

|                              | <b>Group</b>       |                    | <b>Company</b>     |                    |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
|                              | <b>2008</b>        | <b>2007</b>        | <b>2008</b>        | <b>2007</b>        |
|                              | <b>% per annum</b> | <b>% per annum</b> | <b>% per annum</b> | <b>% per annum</b> |
| Deposits placed with:        |                    |                    |                    |                    |
| Licensed banks               | <b>3.46</b>        | 3.61               | <b>3.29</b>        | 3.31               |
| Finance companies            | <b>3.54</b>        | 4.18               | -                  | -                  |
| Other financial institutions | <b>3.29</b>        | 3.35               | <b>3.42</b>        | 5.81               |

Deposits of the Group have an average maturity of 30 days (2007: 70 days).

### 30 BORROWINGS

|  |             | 2008<br>RM'000    | Group<br>2007<br>RM'000 | 2008<br>RM'000   | Company<br>2007<br>RM'000 |
|--|-------------|-------------------|-------------------------|------------------|---------------------------|
| <b>Current</b>                                   |             |                   |                         |                  |                           |
| Al-Murabahah:                                    |             |                   |                         |                  |                           |
| - Commercial Papers                              | - secured   | 625,292           | 761,684                 | 34,000           | -                         |
| Term loans                                       | - secured   | 283,767           | 297,469                 | 42,165           | 100,000                   |
| Bridging loans                                   | - unsecured | 369,676           | -                       | -                | -                         |
| Multi-option line                                | - secured   | -                 | 12,351                  | -                | -                         |
|  | - unsecured | 229,356           | 79,667                  | 199,200          | 65,000                    |
| Sukuk Ijarah                                     | - secured   | 94,378            | 99,689                  | -                | -                         |
| Al-Bai' Bithaman Ajil Bonds                      | - secured   | 120,000           | 120,000                 | -                | -                         |
| Al-Istisna Bonds                                 | - secured   | 555,985           | 347,983                 | -                | -                         |
|  |             | <b>2,278,454</b>  | <b>1,718,843</b>        | <b>275,365</b>   | <b>165,000</b>            |
| <b>Non-current</b>                               |             |                   |                         |                  |                           |
| Term loans                                       | - secured   | 3,872,408         | 3,064,022               | 1,556,772        | 1,062,821                 |
| Bai' Bithaman Ajil                               |             |                   |                         |                  |                           |
| Islamic Debt Securities                          | - secured   | -                 | 172,153                 | -                | -                         |
| Medium Term Notes                                | - secured   | 5,202,250         | 5,155,028               | -                | -                         |
| Sukuk Ijarah                                     | - secured   | 672,165           | 760,366                 | -                | -                         |
| Al-Bai' Bithaman Ajil Bonds                      | - secured   | 610,000           | 730,000                 | -                | -                         |
| Al-Istisna Bonds                                 | - secured   | 5,252,019         | 5,807,353               | -                | -                         |
| Junior Sukuk                                     | - unsecured | 1,700,000         | 1,700,000               | -                | -                         |
| Redeemable Convertible                           |             |                   |                         |                  |                           |
| Loan Stock                                       | - unsecured | 187,375           | 195,717                 | -                | -                         |
|  |             | <b>17,496,217</b> | <b>17,584,639</b>       | <b>1,556,772</b> | <b>1,062,821</b>          |
|  |             | <b>19,774,671</b> | <b>19,303,482</b>       | <b>1,832,137</b> | <b>1,227,821</b>          |
| <b>Group</b>                                     |             |                   |                         |                  |                           |
|  |             | 2008<br>RM'000    | 2007<br>RM'000          | 2008<br>RM'000   | Company<br>2007<br>RM'000 |
| - Ringgit Malaysia                               |             | 19,481,451        | 19,303,482              | 1,832,137        | 1,227,821                 |
| - US Dollar                                      |             | 293,220           | -                       | -                | -                         |
|  |             | <b>19,774,671</b> | <b>19,303,482</b>       | <b>1,832,137</b> | <b>1,227,821</b>          |
| <b>Fair values of borrowings are as follows:</b> |             |                   |                         |                  |                           |
| - US Dollar borrowings                           |             | 293,220           | -                       | -                | -                         |
| - Borrowings                                     |             | 18,831,022        | 19,000,103              | 1,832,137        | 1,227,821                 |

### 30 BORROWINGS (continued)

- (i) The Al-Murabahah Commercial Papers have tenure of 1 year. The programme shall be secured and supported by a charge over a designated account 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 minimum debt service coverage and have limits on debt to capital ratios. The profit rates per annum for Al-Murabahah Commercial Papers is 3.45% (2007: 3.51%). The Commercial Paper loan was fully repaid in December 2008.
- (ii) Interest on term loans of a subsidiary are charged at a fixed rate which ranges from 5% to 6% (2007: 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. A Second New Facility Agreement was executed on 17 August 2006 with a fixed interest rate of 1% per annum above the effective cost of funds of the lender to be fixed at each drawdown date until 31 December 2016 and floating interest rate of 1% above the cost of funds of the lender from 1 January 2017 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 RM3.0 billion (2007: RM3.0 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.

Other term loans are repayable in 13 annual instalments of 2.5% per annum of the principal repayable and a final bullet repayment.

- (iii) The secured long term loan on Syariah principles carries a profit rate of 5.1% (2007: 5.1%) per annum and is repayable by 16 quarterly instalments commencing 29 January 2006. This facility is secured by way of a floating charge over the subsidiary's plant and machinery and motor vehicle, furniture and fittings, office equipment, computers and other fixed assets. During the year, the loan was refinanced to another secured long term loan on Syariah principles carries a profit rate of 4.6% per annum and is repayable by 19 quarterly instalments commencing November 2007. The new facility is secured by fixed deposits and by way of a floating charge over the subsidiary's plant and machinery and motor vehicle, furniture and fittings, office equipment, computers and other fixed assets.
- (iv) Pursuant to a Trust Deed between a subsidiary and Malaysian Trustees Berhad dated 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.

### 30 BORROWINGS (continued)

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.

- (v) The term loans of the Company are secured by certain assets of the Company and a subsidiary company. Interest rates on the term loans of the Company range from 3.8% to 5.85% (2007: 4.54% to 6.65%) per annum. The tenure of the loans ranges from 2 - 6 years with bullet repayments on maturity from the dates of drawdown and 7 semi-annual instalments. The revolving credit facility of the Company is unsecured and bears interest ranging from 4.25% to 5.68% (2007: 4.48% to 4.52%) per annum.
- (vi) The Bonds and bank loans of subsidiaries are secured over property, plant and equipment with a carrying amount of RM10,638 million (2007: RM10,545 million) and prepaid lease payments with a carrying amount of RM6.1 million (2007: RM6.2 million). These borrowings are subject to the fulfilment of the following significant covenants:

Sukuk Ijarah: Maintain the Debt/Equity Ratio of not more than 4:1 and a Finance Service Cover Ratio of at least 1.15 times.

Al-Bai' Bithaman Ajil bonds and Commercial papers: Maintain the Debt/Equity Ratio to be no greater than 9:1 during post-completion (of power plant) period and ensure that the Debt Service Cover ratio is not less than 1.25:1 commencing from commercial operations date.

Al-Istisna bonds: Maintain a Debt/Equity Ratio of not higher than 4:1 at all times and maintain an Annual Finance Service ratio of not less than 1.4:1 commencing from the third year of the first issue of the bonds.

Al-Istisna medium term notes: Maintain a minimum Debt Service cover ratio of 1.25 times commencing from the second semi-annual profit payments date and the Debt/Equity Ratio of no more than 4:1.

Sukuk medium term notes, Junior Sukuk and Commercial papers: Maintain a Debt/Equity Ratio of no greater than 1.25:1 and Group Debt/Equity ratio to be no greater than 7:1 at all times.

The profit rates and interest rates per annum for the above bank facilities range from 4.1% to 9.0% (2007: 3.7% to 9.0%) and from 12.0% to 16.0% (2007: 6.0% to 16.0%) respectively.

- (vii) An Algerian Dinar long term loan of the Group of USD200 million equivalent was arranged with an overseas bank and drawdown over a maximum of 25 instalments from January 2008. Repayments are by sixty quarterly instalments after the final drawdown. The loan is subject to a fixed interest rate of 3.75% per annum. The subsidiary needs to maintain a Debt Service Cover Ratio of at least 1.05 and Projected Debt Service Cover Ratio of at least 1.05 after the first payment date.
- (viii) During the year, a subsidiary obtained unsecured bridging loan facilities of RM410 million. The loans carry an interest rate in the range of 0.5% to 1.5% per annum above the cost of funds of the respective lenders for a tenure of six months. The bridging loans were obtained to finance a subsidiary's on-going capital expenditure obligations pending the first drawdown of the new term loan facility of RM850 million from another financial institution.

**30 BORROWINGS (continued)**

|                                 | <b>2008</b>       | <b>Group</b>  | <b>2008</b>      | <b>Company</b> |
|---------------------------------|-------------------|---------------|------------------|----------------|
|                                 | <b>2007</b>       |               | <b>2007</b>      |                |
|                                 | <b>RM'000</b>     | <b>RM'000</b> | <b>RM'000</b>    | <b>RM'000</b>  |
| Analysis of repayment schedule: |                   |               |                  |                |
| Within 1 year                   | <b>2,278,454</b>  | 1,718,843     | <b>275,365</b>   | 165,000        |
| From 1 to 2 years               | <b>1,670,097</b>  | 1,034,916     | <b>485,786</b>   | -              |
| From 2 to 5 years               | <b>5,156,095</b>  | 4,953,980     | <b>1,070,986</b> | 845,200        |
| After 5 years                   | <b>10,670,025</b> | 11,595,743    | <b>-</b>         | 217,621        |
|                                 | <b>19,774,671</b> | 19,303,482    | <b>1,832,137</b> | 1,227,821      |

**31 TRADE AND OTHER PAYABLES**

|   | <b>2008</b>      | <b>Group</b>  | <b>2008</b>   | <b>Company</b> |
|---|------------------|---------------|---------------|----------------|
|   | <b>2007</b>      |               | <b>2007</b>   |                |
|   | <b>RM'000</b>    | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  |
| Trade payables  | <b>838,719</b>   | 458,776       | <b>4,454</b>  | 18,449         |
| Other payables  | <b>195,227</b>   | 301,283       | <b>12,573</b> | 24,063         |
| Accruals  | <b>808,246</b>   | 420,099       | <b>7,430</b>  | 1,553          |
| Advances received on contracts (Note 39)                            | <b>2,000</b>     | 1,626         | <b>-</b>      | -              |
| Amounts due to contract customers (Note 39)                         | <b>52,019</b>    | 14,204        | <b>-</b>      | -              |
| Amounts due to associated company                                   | <b>14,335</b>    | -             | <b>35</b>     | -              |
| Provision for retirement benefits (Note 31(a))                      | <b>2,132</b>     | 1,138         | <b>-</b>      | -              |
|   | <b>1,912,678</b> | 1,197,126     | <b>24,492</b> | 44,065         |
| The currency exposure profile of the trade payables are as follows: |                  |               |               |                |
| - Ringgit Malaysia  | <b>832,849</b>   | 446,995       | <b>4,454</b>  | 18,449         |
| - US Dollar   | <b>3,313</b>     | 11,336        | <b>-</b>      | -              |
| - Others  | <b>2,557</b>     | 445           | <b>-</b>      | -              |
|   | <b>838,719</b>   | 458,776       | <b>4,454</b>  | 18,449         |

Credit terms of trade payables granted to the Group and Company vary from immediate payment to 90 days.  
(2007: immediate payment to 90 days)

**31 TRADE AND OTHER PAYABLES (continued)**

## (a) Provision for retirement benefits

|  | <b>2008</b><br><b>RM'000</b> | <b>Group</b><br><b>2007</b><br><b>RM'000</b> |
|--|------------------------------|--|
| At 1 January                             | <b>43,027</b>                | 16,441                                       |
| Acquisition through business combination | -                            | 23,519                                       |
| Disposal of a subsidiary                 | <b>(716)</b>                 | -  |
| Charged to income statement              | <b>8,529</b>                 | 5,018  |
| Utilised during the financial year       | <b>(4,381)</b>               | (1,951)                                      |
| At 31 December                           | <b>46,459</b>                | 43,027                                       |
| Analysed as:                             |                              |  |
| Current                                  | <b>2,132</b>                 | 1,138  |
| Non-current                              | <b>44,327</b>                | 41,889                                       |
|  | <b>46,459</b>                | 43,027                                       |
| Non-current                              |                              |  |
| Present value of unfunded obligations    | <b>53,312</b>                | 43,458                                       |

The amount recognised in the balance sheets may be analysed as follows:

|   |                |        |
|---|----------------|--------|
| Present value of unfunded obligations         | <b>53,312</b>  | 43,458 |
| Unrealised actuarial losses                   | <b>(6,853)</b> | (431)  |
| Net liability recognised in the balance sheet | <b>46,459</b>  | 43,027 |

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

|  |              |       |
|--|--------------|-------|
| Current service cost                       | <b>6,186</b> | 3,823 |
| Interest cost                              | <b>2,343</b> | 1,195 |
| Expense recognised in the income statement | <b>8,529</b> | 5,018 |

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

|               | <b>2008</b><br><b>%</b> | <b>2007</b><br><b>%</b> |
|---------------|-------------------------|-------------------------|
| Discount rate | <b>5.3 to 5.8</b>       | 5.3 to 6.7              |
| Interest cost | <b>5.0 to 6.7</b>       | 5.0 to 6.7              |

## 32 SHARE CAPITAL

|  | Number of ordinary shares |              | Group and Company Amount |                |
|--|---------------------------|--------------|--------------------------|----------------|
|  | 2008<br>'000              | 2007<br>'000 | 2008<br>RM'000           | 2007<br>RM'000 |
| Authorised:                            |                           |              |                          |                |
| Ordinary shares of RM0.10 each:        |                           |              |                          |                |
| At 1 January                           | 2,000,000                 | 2,000,000    | 200,000                  | 200,000        |
| Increase in authorised ordinary shares | 8,000,000                 | -            | 800,000                  | -              |
| At 31 December                         | 10,000,000                | 2,000,000    | 1,000,000                | 200,000        |
| Issued and fully paid:                 |                           |              |                          |                |
| Ordinary shares of RM0.10 each:        |                           |              |                          |                |
| At 1 January                           | 1,522,529                 | 1,522,529    | 152,253                  | 152,253        |
| Issuance of bonus shares               | 1,522,529                 | -            | 152,253                  | -              |
| At 31 December                         | 3,045,058                 | 1,522,529    | 304,506                  | 152,253        |

On 25 January 2008, the Company allotted and granted bonus issue of 1,522,529,276 new ordinary shares of RM0.10 each by way of capitalisation of the capital reserves on the basis of 1 new ordinary share for every 1 existing ordinary shares in issue. The shares were listed on 28 January 2008 and ranked pari passu in all respects to existing shares in issue.

## 33 RESERVES

As at 31 December 2008, subject to the agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credits and tax exempt income to pay RM17.2 million (2007: RM123.4 million) out of the distributable reserves of the Company as franked and exempt dividends.

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 30 June 2008 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

## 34 REDEEMABLE PREFERENCE SHARES

|  | 2008<br>RM'000 | Group<br>2007<br>RM'000 |
|--|----------------|-------------------------|
| Redeemable Preference Shares of RM0.01 each: |                |                         |
| At 1 January                                 | 1,140          | 940                     |
| Issued and paid up during the year           | -              | 200                     |
| At 31 December                               | 1,140          | 1,140                   |

**34 REDEEMABLE PREFERENCE SHARES (continued)**

|  | <b>2008</b>    | <b>Group</b>  |
|--|----------------|---------------|
|  | <b>RM'000</b>  | <b>2007</b>   |
|  |                | <b>RM'000</b> |
| Premium on Redeemable Preference Shares: |                |               |
| At 1 January                             | <b>112,911</b> | 93,106        |
| Issued and paid up during the year       | -              | 19,805        |
| At 31 December                           | <b>112,911</b> | 112,911       |
| Classified as liabilities                | <b>114,051</b> | 114,051       |

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 30 September of every year starting from 30 September 2013 to 30 September 2017.
- (ii) The holders of the 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 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.

**35 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS**

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

|                              | <b>2008</b>    | <b>Group</b>  |
|------------------------------|----------------|---------------|
|                              | <b>RM'000</b>  | <b>2007</b>   |
|                              |                | <b>RM'000</b> |
| Unsecured                    |                |               |
| Company                      | <b>369,494</b> | 369,494       |
| Other corporate shareholders | <b>158,355</b> | 158,355       |
| Total RCSL issued            | <b>527,849</b> | 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 moratorium on interest of 5% per annum for a period of 60 months commencing from 1 January 2003 until 31 December 2008.

### 35 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS (continued)

- (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.

The RCSL is a compound instrument that contains both a liability and an equity element. However, the liability and equity elements of the RCSL are not classified separately as it was issued prior to 1 January 2003. The RCSL is denominated in Ringgit Malaysia.

### 36 REDEEMABLE CONVERTIBLE UNSECURED LOANS STOCKS ("RCULS")

- (a) The movement of the RCULS during the financial year are as follows:

|  | Acquisition through<br>business combination | Issued | Conversion | Balance at<br>31.12.2008 |
|--|---|--------|------------|--------------------------|
|  | RM'000                                      | RM'000 | RM'000     | RM'000                   |
| Principal amount of RCULS of RM1.00 each | 42,916                                      | -      | -          | 42,916                   |

- (b) The RCULS is accounted for in the balance sheets of the Group as follows:

|  | Group<br>31.12.2008<br>RM'000 |
|--|-------------------------------|
| The movement of the liability component of RCULS during the year was as follows: |                               |
| Acquisition through business combination   | 38,548                        |
| Interest recognised in the income statement                                      | 126                           |
| At 31 December 2008  | 38,674                        |

- (c) Interest expense on the RCULS is calculated on the effective yield basis by applying the coupon interest of 7.54% per annum for an equivalent non-convertible bond to the liability component of the RCULS.
- (d) The salient terms of the 7-year, 5% RCULS 2004/2011 at nominal value of RM1 are as follows:
  - (i) Status  
The RCULS constitute direct, unsubordinated and unsecured obligations of the Company.
  - (ii) Redeemability  
Conversion before maturity of the RCULS is at the option of the RCULS holders. Unless otherwise converted, the RCULS will be redeemed for cash at its nominal value on maturity.
  - (iii) Coupon rate  
The Company shall until the maturity date of the RCULS pay the RCULS holders interest in cash on the RCULS at the rate of 5% on each interest payment date in arrears.
  - (iv) Maturity  
The date falling on the seventh (7<sup>th</sup>) anniversary of the date of issuance of the RCULS.
  - (v) Tenure  
The RCULS has a tenure of seven (7<sup>th</sup>) years from and including the date of issue.

### 36 REDEEMABLE CONVERTIBLE UNSECURED LOANS STOCKS (continued)

(d) The salient terms of the 7-year, 5% RCULS 2004/2011 at nominal value of RM1 are as follows:

- (vi) Conversion price  
The conversion price for the RCULS is fixed at RM1.00 per one (1) new share in the Company by tendering RM1.00 nominal value of RCULS for cancellation.
- (vii) Conversion period  
The RCULS is convertible into new Company's share at anytime before maturity.
- (viii) Form and denomination  
The RCULS is issued in global bearer form and constituted by trust deed. The RCULS is in denominations of RM1.00 each.
- (ix) Ranking of new shares  
The new shares to be issued upon conversion of the RCULS shall rank pari passu in all respects with the then existing shares except that such new shares will not rank for final dividends in respect of any particular financial year if the conversion date of the RCULS is after the close of the financial year irrespective of the date when such final dividend is declared, made or paid. Additionally, the new shares allotted and issued upon the exercise of the conversion right shall not rank for any rights, dividends, allotments or other distribution if the conversion date of the RCULS is after the record date for such rights, allotments or distributions.
- (x) Rights of RCULS holders on liquidation  
In the event of liquidation of the Company (except for the purpose of a reconstruction or amalgamation the terms of which have been approved in writing by the trustee and by a special resolution), whether voluntary or by order of court, then the amount which is due and payable by the Company to the RCULS holders shall be RM1.00 for each RCULS of RM1.00 nominal value held together with any interest accrued thereon, if any. The RCULS holders shall rank pari passu with all other unsecured and unsubordinated creditors of the Company.
- (xi) Restriction on dividends  
No dividends shall be payable to the shareholders of the Company unless an aggregate of 14.3% per annum (being 100% divided by the tenure of the RCULS) of the nominal value of the RCULS is converted into new shares, repurchased, cancelled or otherwise satisfied by the Company each financial year during the tenure of the RCULS. Should there be any shortfall in the conversion of the RCULS in any one financial year or prior years, the Company may only pay dividends if it deposits an amount in cash equivalent to the shortfall in conversion into sinking fund.
- (xii) Trust Deed  
The RCULS was constituted by a trust deed executed between the Company and a trustee, who acts for the benefit of the RCULS holders.
- (xiii) Sinking Fund  
The Company shall create a sinking fund account to be operated and maintained by the trustee for the deposit by the Company of any shortfall in the conversion amount pursuant to the Restriction on Dividends as disclosed in Note 36 (d)(xi). Any amounts deposited in the sinking fund account shall be used to redeem the RCULS upon maturity.
- (xiv) Public quotation  
The RCULS was listed on the Bursa Malaysia Securities Berhad on 15 March 2005.

**37 LAND LEASE RECEIVED IN ADVANCE**

|  | <b>2008</b>     | <b>Group</b>  |
|--|-----------------|---------------|
|  | <b>RM'000</b>   | <b>2007</b>   |
|  |                 | <b>RM'000</b> |
| At cost:                                       |                 |               |
| At 1 January                                   | <b>198,649</b>  | 178,483       |
| Additions during the year                      | <b>21,964</b>   | 38,824        |
| Recognised as income during the financial year | <b>(11,329)</b> | (7,994)       |
| Recognisable within next 12 months             | <b>(11,080)</b> | (10,664)      |
| At 31 December                                 | <b>198,204</b>  | 198,649       |

**38 DEFERRED INCOME**

|  | <b>2008</b>     | <b>Group</b>  |
|--|-----------------|---------------|
|  | <b>RM'000</b>   | <b>2007</b>   |
|  |                 | <b>RM'000</b> |
| At 1 January                                   | <b>48,665</b>   | 54,924        |
| Recognised as income during the financial year | <b>(134)</b>    | (6,259)       |
| Disposal of a subsidiary                       | <b>(48,531)</b> | -             |
| At 31 December                                 | -               | 48,665        |
| Analysed as:                                   |                 |               |
| Deferred income realisable within 12 months    | -               | 857           |
| Deferred income realisable after 12 months     | -               | 47,808        |
|  | -               | 48,665        |

Deferred income arises from a subsidiary which was disposed off during the financial year as disclosed in Note 15(b). According to the Concession Agreement entered into by a subsidiary 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 a consequence of such restructure or restriction imposed, subject to negotiation and other consideration that the Government may deem fit.

The Government has compensated the subsidiary an amount of RM60.59 million for losses in toll collections as a consequence of the toll restructuring exercise with effect from 1 June 2005 until the end of the concession period on 27 June 2026. 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 (y) (vi).

**39 CONSTRUCTION CONTRACTS**

|   | <b>2008</b>      | <b>Group</b>  |
|---|------------------|---------------|
|   | <b>RM'000</b>    | <b>2007</b>   |
|   |                  | <b>RM'000</b> |
| Aggregate costs incurred and recognised profits (less losses) to date | <b>625,827</b>   | 677,485       |
| Progress billings   | <b>(645,689)</b> | (637,730)     |
|   | <b>(19,862)</b>  | 39,755        |
| Amounts due from contract customers (Note 26)                         | <b>32,157</b>    | 53,959        |
| Amounts due to contract customers (Note 31)                           | <b>(52,019)</b>  | (14,204)      |
|   | <b>(19,862)</b>  | 39,755        |
| Advances received on contracts (Note 31)                              | <b>(2,000)</b>   | (1,626)       |
| Retentions on contracts   | <b>13,561</b>    | 9,499         |

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

|   | <b>2008</b>   | <b>Group</b>  |
|---|---------------|---------------|
|   | <b>RM'000</b> | <b>2007</b>   |
|   |               | <b>RM'000</b> |
| Office rental                                 | <b>1,935</b>  | 2,345         |
| Depreciation of property, plant and equipment | <b>738</b>    | 12            |
| Hire of plant and machinery                   | <b>687</b>    | 455           |
| Staff cost                                    | <b>22,747</b> | 13,682        |
| Staff cost consists of the following:         |               |               |
| Salaries, wages and bonus                     | <b>20,686</b> | 12,090        |
| Defined contribution plan                     | <b>1,848</b>  | 1,513         |
| Other employee benefits                       | <b>213</b>    | 79            |
|   | <b>22,747</b> | 13,682        |

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

#### 40 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:

|   | <b>Transport<br/>and<br/>logistics</b> | <b>Energy<br/>and<br/>utilities</b> | <b>Engineering<br/>and<br/>construction</b> | <b>Others</b>   | <b>Total</b>       |
|---|--|-------------------------------------|---|-----------------|--------------------|
|   | RM'000                                 | RM'000                              | RM'000                                      | RM'000          | RM'000             |
| <b>2008</b>   |  |                                     |   |                 |                    |
| <u>Revenue</u>  |  |                                     |   |                 |                    |
| Total   | <b>1,197,082</b>                       | <b>7,247,178</b>                    | <b>176,043</b>                              | <b>59,565</b>   | <b>8,679,868</b>   |
| Inter-segment   | -                                      | 980                                 | (135,815)                                   | -               | (134,835)          |
| External  | <b>1,197,082</b>                       | <b>7,248,158</b>                    | <b>40,228</b>                               | <b>59,565</b>   | <b>8,545,033</b>   |
| <u>Results</u>  |  |                                     |   |                 |                    |
| Segment profit  | <b>341,812</b>                         | <b>1,619,764</b>                    | <b>5,268</b>                                | <b>(38,090)</b> | <b>1,928,754</b>   |
| Items relating to<br>investments                      | -                                      | -                                   | -   | <b>108,329</b>  | <b>108,329</b>     |
| Interest income                                       |  |                                     |   |                 | <b>143,612</b>     |
| Finance costs   |  |                                     |   |                 | <b>(1,380,529)</b> |
| Share of results of<br>associates                     | -                                      | <b>28,995</b>                       | <b>33,747</b>                               | <b>(3,655)</b>  | <b>59,087</b>      |
| Share of results of<br>jointly controlled<br>entities | <b>(23)</b>                            | -                                   | <b>156,269</b>                              | -               | <b>156,246</b>     |
| Profit before taxation                                |  |                                     |   |                 | <b>1,015,499</b>   |
| Taxation  |  |                                     |   |                 | <b>(124,003)</b>   |
| Profit after taxation                                 |  |                                     |   |                 | <b>891,496</b>     |

#### 40 SEGMENTAL INFORMATION (continued)

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

|   | Transport<br>and<br>logistics<br>RM'000 | Energy<br>and<br>utilities<br>RM'000 | Engineering<br>and<br>construction<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|--------------------------------------|--|------------------|-----------------|
| 2008  |   |                                      |  |                  |                 |
| <u>Other information</u>  |   |                                      |  |                  |                 |
| Segment assets  | 5,570,404                               | 22,315,183                           | 338,369                                      | 772,978          | 28,996,934      |
| Associates  | -                                       | 1,627,759                            | 279,080                                      | 43,202           | 1,950,041       |
| Interest-bearing<br>instruments   | 259,297                                 | 3,446,104                            | 4,534  | 77,374           | 3,787,309       |
| Total assets  |   |                                      |  |                  | 34,734,284      |
| Segment liabilities   | 749,595                                 | 4,448,319                            | 32,795                                       | 57,798           | 5,288,507       |
| Interest-bearing<br>instruments   | 2,821,375                               | 15,413,429                           | 6,910  | 1,844,037        | 20,085,751      |
| Total liabilities   |   |                                      |  |                  | 25,374,258      |
| <u>Other disclosures</u>  |   |                                      |  |                  |                 |
| Capital expenditure   | 970,840                                 | 626,636                              | 728  | 4,738            | 1,602,942       |
| Depreciation  | 161,591                                 | 478,017                              | 508  | 7,824            | 647,940         |
| Amortisation of:  |   |                                      |  |                  |                 |
| - Rights on Power<br>Purchase Agreement<br>and Operations and<br>Maintenance<br>Agreement | -                                       | 365,206                              | -  | -                | 365,206         |
| - Prepaid lease payments  | 5,533                                   | 4,869                                | -  | 61               | 10,463          |
| Impairment loss   | -                                       | -                                    | -  | 410              | 410             |

#### 40 SEGMENTAL INFORMATION (continued)

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

|   | Transport<br>and<br>logistics<br>RM'000 | Energy<br>and<br>utilities<br>RM'000 | Engineering<br>and<br>construction<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|--------------------------------------|--|------------------|-----------------|
| 2007  |   |                                      |  |                  |                 |
| <u>Revenue</u>  |   |                                      |  |                  |                 |
| Total   | 1,208,450                               | 4,298,233                            | 204,087                                      | 38,133           | 5,748,903       |
| Inter-segment   | -                                       | -                                    | (26,870)                                     | -                | (26,870)        |
| External  | 1,208,450                               | 4,298,233                            | 177,217                                      | 38,133           | 5,722,033       |
| <u>Results</u>  |   |                                      |  |                  |                 |
| Segment profit  | 418,053                                 | 1,228,066                            | 1,770  | 379              | 1,648,268       |
| Items relating to investments   | -                                       | -                                    | -  | 100,988          | 100,988         |
| Interest income   |   |                                      |  |                  | 147,085         |
| Finance costs   |   |                                      |  |                  | (969,182)       |
| Share of results of associates  | -                                       | 45,688                               | 50,681                                       | (901)            | 95,468          |
| Share of results of jointly controlled entities                               | -                                       | -                                    | (4,585)                                      | -                | (4,585)         |
| Profit before taxation  |   |                                      |  |                  | 1,018,042       |
| Taxation  |   |                                      |  |                  | (156,999)       |
| Profit after taxation   |   |                                      |  |                  | 861,043         |
| <u>Other information</u>  |   |                                      |  |                  |                 |
| Segment assets  | 6,237,950                               | 20,972,116                           | 173,574                                      | 294,254          | 27,677,894      |
| Associates  | 23,529                                  | 1,536,031                            | 390,576                                      | 16,841           | 1,966,977       |
| Interest-bearing instruments  | 508,315                                 | 2,703,380                            | 4,931  | 94,148           | 3,310,774       |
| Total assets  |   |                                      |  |                  | 32,955,645      |
| Segment liabilities   | 662,899                                 | 3,840,850                            | 26,094                                       | 86,405           | 4,616,248       |
| Interest-bearing instruments  | 2,559,473                               | 15,767,832                           | 8,100  | 1,240,483        | 19,575,888      |
| Total liabilities   |   |                                      |  |                  | 24,192,136      |
| <u>Other disclosures</u>  |   |                                      |  |                  |                 |
| Capital expenditure   | 188,432                                 | 314,072                              | 335  | 9,826            | 512,665         |
| Depreciation  | 154,505                                 | 417,091                              | 405  | 8,189            | 580,190         |
| Amortisation of:  |   |                                      |  |                  |                 |
| - Rights on Power Purchase Agreement and Operations and Maintenance Agreement | -                                       | 230,795                              | -  | -                | 230,795         |
| - Prepaid lease payments  | 16,441                                  | 3,374                                | -  | 62               | 19,877          |
| Impairment loss   | -                                       | 694                                  | -  | -                | 694             |

#### 40 SEGMENTAL INFORMATION (continued)

- (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.

#### 41 SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- (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 the solicitors, that there is a fair chance of success in the arbitration proceedings.

- (b) 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.

- (c) On 28 March 2007, Prai Power Sdn Bhd ("PPSB"), a wholly-owned subsidiary of Malakoff Corporation Berhad, the Company's 51% owned subsidiary, commenced arbitration proceedings against Tenaga Nasional Berhad ("TNB") claiming a sum of approximately RM11,863,000 which PPSB alleged TNB had wrongfully deducted from available capacity payments due and payable to PPSB for the month of November 2006. TNB had responded stating that its deductions were in accordance with the Power Purchase Agreement between PPSB and TNB and had filed a counterclaim against PPSB. TNB had then applied to the arbitral tribunal for leave to amend its Defence and Counterclaim and to file a Rejoinder in the proceedings to introduce events and matters since June 2003.

During the preliminary meeting for the arbitration held on 16 January 2008, the arbitral tribunal allowed an application by both PPSB and TNB to amend and re-file the Statement of Claim, Defence and Counterclaim, Reply and Defence to the Counterclaim to include these events and matters from June 2003 into the proceedings.

PPSB has since issued to TNB, via its solicitors, an amended Statement of Claim revising PPSB's claim approximately from RM11,863,000 to RM113,713,000. The additional sum of RM101,850,000 being claimed is the amount due and payable by TNB to PPSB in respect of capacity payments from June 2003 to October 2006.

Based on the legal advice from the solicitors, the Directors are of the view that there is a good chance of success in the arbitration proceedings.

- (d) On 25 June 2008, Segari Energy Ventures Sdn Bhd ("SEV"), a 93.75% owned subsidiary of Malakoff Corporation Berhad, the Company's 51% owned subsidiary, filed a statement of claim in arbitration proceedings against Tenaga Nasional Berhad ("TNB"), claiming a sum of RM43,692,188.47 in relation to wrongful set-off of SEV's billing statements. On 25 July 2008, TNB filed its defence and counterclaim seeking, among others, in relation to the RM43,692,188.47 claimed by SEV, a declaration that the said amounts were lawfully deducted, or alternatively, payment of the said amounts to TNB; and in respect of the metering inaccuracies, payment of all the amounts of energy payments allegedly received by SEV in excess of the sum due to SEV, which is to be determined by the arbitral tribunal. The Company is of the view, in consultation with solicitors, that there is a favourable chance of successfully defending TNB's claims in the arbitration proceedings.

#### 41 SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

- (e) On 13 November 2008, Wayss & Freytag (Malaysia) Sdn Bhd (“Wayss & Freytag”) served on MMC Engineering Group Berhad (“MMCEG”), a subsidiary of MMC, a Writ of Summons and a Statement of Claim (“the Court Action”). The Court Action is for *inter-alia*, a declaration that the MMCEG-Gamuda Berhad Joint Venture (“the JV”) is in breach of the Sub-Contract dated 16 April 2003 (“the Sub-Contract”) awarded to Wayss & Freytag to construct and complete the North Tunnel Drive of the Stormwater Management and Road Tunnel Project (“the SMART Project”), by failing to make payment of RM102,366,880.42 awarded by the Dispute Adjudication Board (“DAB”) to Wayss & Freytag in respect of various claims arising out of the Sub-Contract and for damages of the same amount subsequent to the JV terminating the Sub-Contract on 23 January 2006 due to Wayss & Freytag’s inordinate delay in the progress of its work. Under the Sub-Contract, any party who is dissatisfied with the decision of the DAB may issue a Notice of Dissatisfaction and require the matter to be referred to arbitration for final adjudication. The JV will accordingly resist the Court Action. The Directors are of the view that based on legal advice from solicitors, MMCEG has a good chance of staying the Court Action.

- (f) Further to item (e) above, MMCEG and Gamuda Berhad, have on 17 December 2008, issued a Notice of Arbitration to commence arbitration proceedings against Wayss & Freytag in respect of their claims for RM154,774,949.83 against Wayss & Freytag for breach of the Sub-Contract.

Similarly, Wayss & Freytag had on 15 January 2009 issued a Notice of Arbitration to commence arbitration proceedings against MMCEG and Gamuda Berhad in respect of their claims for approximately RM151,279,445.58 against MMCEG and Gamuda Berhad for breach of the Sub-Contract.

As advised by the solicitors acting for the JV in the arbitration proceedings, the Company is of the view that MMCEG, as a party to the JV, has a good chance of succeeding in the arbitration proceedings.

- (g) On 12 December 2006, Southern Water Corporation Sdn Bhd (“SWC”), a wholly owned subsidiary of Aliran Ihsan Resources Berhad, the Company’s 74.4% owned subsidiary, initiated legal proceedings against Syarikat Air Johor Sdn Bhd (“SAJ”) for breach of contractual payment of the outstanding trade receivables amounting to RM75,037,785.06 as at 7 December 2006, together with interest and costs, pursuant to the Concession Agreement dated 31 May 1994 entered into between SAJ and SWC.

On 11 June 2007, the court awarded a Summary Judgment Order in favour of SWC for the sum of RM73,037,785.06, together with interests and costs. SAJ appealed against the Summary Judgment Order. In addition, SAJ also filed a counterclaim against SWC.

Pending the outcome of their appeal against the Summary Judgment Order made in favour of SWC, SAJ also applied for a Stay of Execution of the said Order.

Subsequently, SWC applied and obtained a Garnishee Order against SAJ Holdings Sdn Bhd (“SAJH”) for the sum of RM42,930,281.91. The Garnishee Order was made absolute on 19 December 2007 and SAJH was ordered to pay SWC the sum of RM42,930,281.91 within 30 days from 19 December 2007.

SAJH appealed to the Judge in Chambers against the Garnishee Order Absolute. SAJH’s application for a stay of execution of the Garnishee Order Absolute was dismissed by the Deputy Registrar. At the hearing of the appeal with respect to the Garnishee Order Absolute on 5 March 2008, SAJH also orally appealed on their application for a Stay of Execution on the Garnishee Order Absolute which was dismissed by the Deputy Registrar.

The High Court, however, granted SAJH an interim stay on 5 March 2008. SWC has lodged an appeal to the Court of Appeal against the order for an interim stay granted in favour of SAJH.

The solicitors for SWC are of the opinion that the appeals by SAJ and SAJH, respectively could go either way as the parties need only to raise a triable issue of law or fact for the case to go for a full trial.

#### 41 SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

(h) At 31 December 2008, the contingent liabilities in respect of guarantees issued are as follows:

|   | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|---|----------------|-------------------------|----------------|---------------------------|
| Bank guarantees issued to third parties for performance | 480,991        | 470,417                 | 29             | 3,749                     |

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.

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.

#### 42 COMMITMENTS

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

|   | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|---|----------------|-------------------------|----------------|---------------------------|
| (a) Capital commitments:                        |                |                         |                |                           |
| Property, plant and equipment                   |                |                         |                |                           |
| Authorised but not contracted for               | 86,679         | 147,541                 | 624            | 1,473                     |
| Authorised and contracted for                   | 567,756        | 676,222                 | -              | -                         |
| Total   | 654,435        | 823,763                 | 624            | 1,473                     |
| (b) Non-cancellable operating lease commitments |                |                         |                |                           |
|   |                |                         | 2008<br>RM'000 | Group<br>2007<br>RM'000   |
| (i) For computer hardware                       |                |                         |                |                           |
| Not later than 1 year                           |                |                         | 1,837          | 2,628                     |
| Later than 1 year and not later than 5 years    |                |                         | 844            | 1,921                     |
|   |                |                         | 2,681          | 4,549                     |
| (ii) For the port area                          |                |                         |                |                           |
| Not later than 1 year                           |                |                         | 12,761         | 10,000                    |
| Later than 1 year and not later than 5 years    |                |                         | 63,805         | 40,000                    |
| Later than 5 years                              |                |                         | 247,497        | 120,000                   |
|   |                |                         | 324,063        | 170,000                   |

**42 COMMITMENTS (continued)**

## (b) Non-cancellable operating lease commitments (continued)

|   |         |         |  |
|---|---------|---------|--|
| (iii) For rental of office building and equipment |         |         |  |
| Not later than 1 year                             | 6,046   | 1,915   |  |
| Later than 1 year and not later than 5 years      | 6,020   | 1,856   |  |
|   | 12,066  | 3,771   |  |
| Total   | 338,810 | 178,320 |  |

**43 SIGNIFICANT RELATED PARTY DISCLOSURES**

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

|  | 2008<br>RM'000 | Group<br>2007<br>RM'000 | 2008<br>RM'000 | Company<br>2007<br>RM'000 |
|--|----------------|-------------------------|----------------|---------------------------|
| (a) Transactions   |                |                         |                |                           |
| Subsidiaries:  |                |                         |                |                           |
| Acquisition of equity interest in associated company from a subsidiary | -              | -                       | -              | 784,126                   |
| Disposal of equity interest in associated company                      | -              | -                       | -              | 2,047,834                 |
| Management fees paid to a subsidiary                                   | -              | -                       | 480            | -                         |
| Companies subject to common significant influence:                     |                |                         |                |                           |
| Operation and maintenance fee expense                                  | (133,709)      | (130,498)               | -              | -                         |
| Operation and maintenance subcontract fee income                       | 115,006        | 66,259                  | -              | -                         |
| Dredging works   | (1,280)        | (2,674)                 | -              | -                         |
| Rental expense   | (1,373)        | (1,495)                 | (1,373)        | (1,469)                   |
| Companies related to Directors:  |                |                         |                |                           |
| Professional fees  | -              | (62)                    | -              | -                         |

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

|                                 | Group/Company  |                |
|---------------------------------|----------------|----------------|
|                                 | 2008<br>RM'000 | 2007<br>RM'000 |
| (b) Key management compensation |                |                |
| Fees                            | 518            | 481            |
| Salaries and bonus              | 7,404          | 4,112          |
| Defined contribution plan       | 967            | 550            |
| Other employee benefits         | 622            | 475            |
|                                 | 9,511          | 5,618          |

#### 44 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 | Group's effective interest |           | Principal activities   |
|---|--------------------------|----------------------------|-----------|--|
|   |                          | 2008<br>%                  | 2007<br>% |  |
| Anglo-Oriental (Annuities) Sdn Bhd                      | Malaysia                 | 100.0                      | 100.0     | Investment holding   |
| Anglo-Oriental (Malaya) Sdn Bhd                         | Malaysia                 | 100.0                      | 100.0     | Property and investment holding                                    |
| Anglo-Oriental (Malaya) Trustees Sdn Bhd                | Malaysia                 | 100.0                      | 100.0     | Trust management   |
| Konsortium Lebuhraya Butterworth - Kulim (KLBK) Sdn Bhd | Malaysia                 | -                          | 100.0     | Operation, maintenance and toll collection of a privatised highway |
| Labohan Dagang Galian Sdn Bhd                           | Malaysia                 | 100.0                      | 100.0     | Investment holding   |
| Pernas Charter Management Sdn Bhd                       | Malaysia                 | 100.0                      | 100.0     | Mine management  |
| MMC Frigstad Offshore Sdn Bhd                           | Malaysia                 | 100.0                      | 100.0     | Property investment  |
| MMC Marketing Sdn Bhd                                   | Malaysia                 | 100.0                      | 100.0     | Property investment  |
| Timah Securities Berhad                                 | Malaysia                 | 100.0                      | 100.0     | Property investment  |
| Tronoh Holdings (Selangor) Sdn Bhd                      | Malaysia                 | 100.0                      | 100.0     | Property investment  |
| MMC Engineering Group Berhad                            | Malaysia                 | 99.9                       | 99.9      | Investment holding in engineering, construction and manufacturing  |
| MMC Engineering & Construction Sdn Bhd                  | Malaysia                 | 99.9                       | 99.9      | Civil engineering construction works                               |
| MMC Engineering Services Sdn Bhd                        | Malaysia                 | 99.9                       | 99.9      | Specialised engineering construction works                         |

#### 44 COMPANIES IN THE GROUP (continued)

##### Subsidiaries (continued)

| Name of company                     | Country of incorporation | Group's effective interest |           | Principal activities   |
|-------------------------------------|--------------------------|----------------------------|-----------|--|
|                                     |                          | 2008<br>%                  | 2007<br>% |  |
| MMC Oil & Gas Engineering Sdn Bhd   | Malaysia                 | 99.9                       | 99.9      | Specialised engineering design services  |
| MMC Power Sdn Bhd                   | Malaysia                 | 99.9                       | 99.9      | Erection of power transmission lines and installation of electrical and gas system       |
| MMC Transport Engineering Sdn Bhd   | Malaysia                 | 99.9                       | 99.9      | Specialised engineering works  |
| MMC-GTM Bina Sama Sdn Bhd           | Malaysia                 | 99.9                       | 99.9      | Highway construction   |
| MMC-Shapadu (Holdings) Sdn Bhd      | Malaysia                 | 76.0                       | 76.0      | Investment holding   |
| Prima Metal Industries Sdn Bhd      | Malaysia                 | -                          | 75.7      | Manufacture and sale of steel castings   |
| Pelepas-Brigantine Services Sdn Bhd | Malaysia                 | 49.0                       | 49.0      | Repair, prepare and trade of containers, containerisation system and other related works |
| Tepat Teknik Sdn Bhd                | Malaysia                 | 69.9                       | 69.9      | Construction and fabrication   |
| Tepat Teknik (Kejuruteraan) Sdn Bhd | Malaysia                 | 69.9                       | 69.9      | Construction and fabrication   |
| Seginiaga Rubber Industries Sdn Bhd | Malaysia                 | -                          | 75.6      | Manufacture of weather strips  |
| ++ Kramat Tin Dredging Berhad       | Malaysia                 | 52.9                       | 52.9      | Tin mining operations (under restructuring)  |
| Prima Precision Sdn Bhd             | Malaysia                 | -                          | 75.7      | Manufacture and sale of precision castings   |
| Pelabuhan Tanjung Pelepas Sdn Bhd   | Malaysia                 | 70.0                       | 70.0      | Port operations  |
| Gas Malaysia Sdn Bhd                | Malaysia                 | 41.8                       | 41.8      | Construction and operation of natural gas distribution system                            |
| * Johor Port Berhad                 | Malaysia                 | 100.0                      | 100.0     | Port operations  |
| Pelantar Teknik (M) Sdn Bhd         | Malaysia                 | 41.8                       | 41.8      | Property holding   |

#### 44 COMPANIES IN THE GROUP (continued)

##### Subsidiaries (continued)

| Name of company                             | Country of incorporation | Group's effective interest |           | Principal activities   |
|---|--------------------------|----------------------------|-----------|--|
|   |                          | 2008<br>%                  | 2007<br>% |  |
| Gas Malaysia (LPG) Sdn Bhd                  | Malaysia                 | 41.8                       | 41.8      | Supply of liquefied petroleum gas via reticulation system  |
| Recycle Energy Sdn Bhd                      | Malaysia                 | 51.0                       | 51.0      | Conversion of municipal solid waste to energy  |
| MMC-Transfield Services Sdn Bhd (dissolved) | Malaysia                 | -                          | 51.0      | Asset management operations and maintenance services   |
| MMC-VME Sdn Bhd                             | Malaysia                 | 61.0                       | 61.0      | Natural gas separation works   |
| * JP Logistics Sdn Bhd                      | Malaysia                 | 100.0                      | 100.0     | Providing logistics services   |
| * Bernas Logistics Sdn Bhd                  | Malaysia                 | 75.0                       | 75.0      | Providing logistics services   |
| * Seaport Worldwide Sdn Bhd                 | Malaysia                 | 100.0                      | 100.0     | Investment holding and property development  |
| * MMC International Holdings Ltd            | British Virgin Islands   | 100.0                      | 100.0     | Investment holding   |
| * MMC Saudi Holdings Ltd                    | British Virgin Islands   | 100.0                      | 100.0     | Investment holding   |
| * City Island Holdings Limited              | British Virgin Islands   | 100.0                      | 100.0     | Investment holding   |
| * MMC Utilities Limited                     | British Virgin Islands   | 100.0                      | 100.0     | Investment holding and provision of project management services  |
| * MMC Saudi Arabia Ltd                      | Kingdom of Saudi Arabia  | 100.0                      | 100.0     | Investment holding   |
| * Malakoff Corporation Berhad               | Malaysia                 | 51.0                       | 51.0      | Investment holding and provision of management services to its subsidiaries  |
| * Segari Energy Ventures Sdn Bhd            | Malaysia                 | 47.8                       | 47.8      | Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of power plant |

**44 COMPANIES IN THE GROUP (continued)****Subsidiaries (continued)**

| Name of company                    | Country of incorporation | Group's effective interest |           | Principal activities  |
|------------------------------------|--------------------------|----------------------------|-----------|---|
|                                    |                          | 2008<br>%                  | 2007<br>% |   |
| * Teknik Janakuasa Sdn Bhd         | Malaysia                 | <b>51.0</b>                | 51.0      | Operation and maintenance of power plants   |
| * GB3 Sdn Bhd                      | Malaysia                 | <b>38.3</b>                | 38.3      | Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant  |
| * Prai Power Sdn Bhd               | Malaysia                 | <b>51.0</b>                | 51.0      | Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant  |
| * Tanjung Bin Power Sdn Bhd        | Malaysia                 | <b>45.9</b>                | 45.9      | Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of 2,100 MW coal fired electricity generating facilities located at Tanjung Bin, Daerah Pontian, Johor Darul Takzim and sale of electrical energy and generating capacity of the power plant |
| * Malakoff Engineering Sdn Bhd     | Malaysia                 | <b>51.0</b>                | 51.0      | Provision of engineering and project management services  |
| * MESB Project Management Sdn Bhd  | Malaysia                 | <b>51.0</b>                | 51.0      | Provision of engineering and project management services  |
| * Wirazone Sdn Bhd                 | Malaysia                 | <b>51.0</b>                | 51.0      | Build, own and operate an electricity distribution system and a centralised chilled water plant system  |
| * Hypergantic Sdn Bhd              | Malaysia                 | <b>51.0</b>                | 51.0      | Investment holding  |
| * Desa Kilat Sdn Bhd               | Malaysia                 | <b>27.5</b>                | 27.5      | Land reclamation, development and/or sale of reclaimed land   |
| * Malakoff AIDjazair Desal Sdn Bhd | Malaysia                 | <b>51.0</b>                | 51.0      | Investment holding  |

#### 44 COMPANIES IN THE GROUP (continued)

##### Subsidiaries (continued)

| Name of company                               | Country of incorporation | Group's effective interest |           | Principal activities  |
|---|--------------------------|----------------------------|-----------|---|
|   |                          | 2008<br>%                  | 2007<br>% |   |
| * TJSB Global Sdn Bhd                         | Malaysia                 | 51.0                       | 51.0      | Investment holding  |
| * Tuah Utama Sdn Bhd                          | Malaysia                 | 51.0                       | 51.0      | Investment holding  |
| * Natural Analysis Sdn Bhd                    | Malaysia                 | 51.0                       | 51.0      | Operation and maintenance of power plants                                       |
| * Malakoff International Limited              | Cayman Islands           | 51.0                       | 51.0      | Investment holding  |
| * Malakoff Gulf Limited                       | British Virgin Islands   | 51.0                       | 51.0      | Investment holding  |
| * Malakoff Technical (Dhofar) Limited         | British Virgin Islands   | 51.0                       | 51.0      | Investment holding  |
| * Malakoff Jordan Generation Limited          | British Virgin Islands   | 51.0                       | 51.0      | Investment holding  |
| * Tlemcen Desalination Investment Company SAS | France                   | 35.7                       | 35.7      | Investment holding  |
| * TJSB International Limited                  | Cayman Islands           | 51.0                       | 51.0      | Investment holding  |
| * TJSB International (Shoaiba) Limited        | British Virgin Islands   | 51.0                       | 51.0      | Investment holding  |
| * TJSB Middle East Limited                    | British Virgin Islands   | 51.0                       | 51.0      | Investment holding  |
| * MMC AMEC Sdn Bhd                            | Malaysia                 | 51.0                       | 51.0      | Engineering and design service for upstream and downstream oil and gas industry |
| *++ Aliran Ihsan Resources Berhad             | Malaysia                 | 74.4                       | -         | Investment holding  |
| * Southern Water Corporation Sdn Bhd          | Malaysia                 | 74.4                       | -         | Water treatment concessionaire/ Investment holding                              |
| * Southern Water Technology Sdn Bhd           | Malaysia                 | 74.4                       | -         | Construction of water related projects  |
| * Southern Water Engineering Sdn Bhd          | Malaysia                 | 74.4                       | -         | Operation, and maintenance of water treatment plants                            |

#### 44 COMPANIES IN THE GROUP (continued)

| Inactive subsidiaries   |                          | Group's effective interest |           |
|---|--------------------------|----------------------------|-----------|
| Name of company   | Country of incorporation | 2008<br>%                  | 2007<br>% |
| Amalan Rantau (M) Sdn Bhd   | Malaysia                 | -                          | 100.0     |
| Anglo-Oriental Nominees Sdn Bhd (in voluntary liquidation)                      | 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     |
| * 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     |
| Pesiaran Properties Sdn Bhd (dissolved)   | Malaysia                 | -                          | 100.0     |
| MMC Ports Sdn Bhd   | Malaysia                 | 100.0                      | 100.0     |
| MMC Utilities Berhad  | Malaysia                 | 100.0                      | 100.0     |
| MMC-LDAH Concrete Sdn Bhd (under creditors' liquidation)                        | Malaysia                 | 99.9                       | 99.9      |
| More Furniture Ideas (M) Sdn Bhd (dissolved)                                    | Malaysia                 | -                          | 100.0     |
| Projek Lebuhraya Timur Sdn Bhd  | Malaysia                 | 100.0                      | 100.0     |
| Southern Kinta Consolidated (M) Berhad  | Malaysia                 | 100.0                      | 100.0     |
| Southern Malayan Tin Dredging (M) Berhad  | Malaysia                 | 100.0                      | 100.0     |
| Alam Dergahayu (Johor) Sdn Bhd (dissolved)                                      | Malaysia                 | -                          | 99.9      |
| * MMC EG Co. Ltd  | Mongolia                 | 90.0                       | 90.0      |
| Asia Foundry Sdn Bhd (formerly known as MMI Foundry Sdn Bhd)                    | Malaysia                 | -                          | 75.7      |
| Timah Dermawan Sdn Bhd  | Malaysia                 | 51.8                       | 51.8      |
| * Tepat Teknik (Labuan) Ltd   | Malaysia                 | 69.9                       | 69.9      |
| Tepat Teknik (Sarawak) Sdn Bhd  | Malaysia                 | 69.9                       | 69.9      |
| Prentis Sdn Bhd   | Malaysia                 | 100.0                      | 100.0     |
| * MMC Ports Limited   | British Virgin Islands   | 100.0                      | 100.0     |
| * Transpool Sdn Bhd   | Malaysia                 | 51.0                       | 51.0      |
| * Spring Assets Limited   | British Virgin Islands   | 51.0                       | 51.0      |
| * Malakoff Capital (L) Ltd  | Malaysia                 | 51.0                       | 51.0      |
| * Malakoff Ras Azzour Limited<br>(formerly known as KuwMal Investments Limited) | British Virgin Islands   | 51.0                       | 51.0      |
| * RNC Corporation Bhd (in liquidation)  | Malaysia                 | 74.4                       | -         |
| * Arensi Pipes Sdn Bhd (in liquidation)   | Malaysia                 | 74.4                       | -         |
| PTP – MISC Terminal Sdn Bhd<br>(formerly known as Asia Pioneer Team Sdn Bhd)    | Malaysia                 | 49.0                       | -         |

#### 44 COMPANIES IN THE GROUP (continued)

##### Associates

| Name of company                                      | Country of incorporation | Group's effective interest |           | Accounting date for inclusion of company results | Principal activities  |
|--|--------------------------|----------------------------|-----------|--|---|
|  |                          | 2008<br>%                  | 2007<br>% |  |   |
| ++<br>* Integrated Rubber Corporation Berhad         | Malaysia                 | 20.1                       | 20.1      | 31.10.2008                                       | Manufacture and trading of natural rubber latex gloves  |
| ++ Zelan Berhad                                      | Malaysia                 | 39.2                       | 39.2      | 30.9.2008  | Investment holding, civil engineering and construction of power plant and buildings   |
| Kapar Energy Ventures Sdn Bhd                        | Malaysia                 | 20.4                       | 20.4      | 31.12.2008                                       | Generation and sale of electricity  |
| Port Dickson Power Berhad                            | Malaysia                 | 12.8                       | 12.8      | 31.12.2008                                       | Generation and sale of electricity  |
| * Lekir Bulk Terminal Sdn Bhd                        | Malaysia                 | 10.2                       | 10.2      | 31.12.2008                                       | Bulk terminal jetty and coal handling services  |
| * Malaysian Shoaiba Consortium Sdn Bhd               | Malaysia                 | 20.4                       | 20.4      | 31.12.2008                                       | Investment holding  |
| * Almiyah Attilemcania SPA                           | Algeria                  | 18.2                       | 18.2      | 31.12.2008                                       | Construction, operation and management of a sea water desalination plant & marketing the desalinated water produced                           |
| * Saudi-Malaysia Water & Electricity Company Limited | Kingdom of Saudi Arabia  | 10.2                       | 10.2      | 31.12.2008                                       | Investment holding  |
| * Shuaibah Water & Electricity Company Limited       | Kingdom of Saudi Arabia  | 6.1                        | 6.1       | 31.12.2008                                       | Design, construction, commissioning, testing, ownership, operation and maintenance of oil fired power generation and water desalination plant |

#### 44 COMPANIES IN THE GROUP (continued)

##### Associates (continued)

| Name of company                                       | Country of incorporation | Group's effective interest |        | Accounting date for inclusion of company results | Principal activities  |
|---|--------------------------|----------------------------|--------|--|---|
|   |                          | 2008 %                     | 2007 % |  |   |
| * Shuaibah Expansion Holding Company Limited          | Kingdom of Saudi Arabia  | 6.1                        | 6.1    | 31.12.2008                                       | Drinking water production   |
| * Shuaibah Expansion Project Company Limited          | Kingdom of Saudi Arabia  | 6.0                        | 6.0    | 31.12.2008                                       | Development, construction, possession, operation and maintenance of Shuaibah expansion project for water product at Shuaibah region, water transport and sale and all relevant works and activities |
| * Oman Technical Partners Limited                     | British Virgin Islands   | 22.1                       | 22.1   | 31.12.2008                                       | Investment holding  |
| * Salalah Power Holdings Limited                      | Bermuda                  | 22.1                       | 22.1   | 31.12.2008                                       | Investment holding  |
| * Dhofar Power Company S.A.O.G                        | Oman                     | 10.2                       | 10.2   | 31.12.2008                                       | Electricity, generation, transmission, distribution in the region of Salalah, Oman  |
| * Enara Energy Investment Company                     | Jordan                   | 12.7                       | 12.7   | 31.12.2008                                       | Investment holding  |
| * Central Electricity Generating Company Limited      | Jordan                   | 6.5                        | 6.5    | 31.12.2008                                       | Generate electrical energy in different regions of Jordan   |
| * Al-Imtiaz Operation and Maintenance Company Limited | Kingdom of Saudi Arabia  | 10.2                       | 10.2   | 31.12.2008                                       | Implementation of operation and maintenance contracts for stations of electrical power generation and water desalination  |

#### 44 COMPANIES IN THE GROUP (continued)

##### Associates (continued)

| Name of company   | Country of incorporation | Group's effective interest |           | Accounting date for inclusion of company results | Principal activities  |
|---|--------------------------|----------------------------|-----------|--|---|
|   |                          | 2008<br>%                  | 2007<br>% |  |   |
| * Saudi-Malaysia Operation & Maintenance Services Company Limited | Kingdom of Saudi Arabia  | 10.2                       | 10.2      | 31.12.2008                                       | Operation and maintenance power and water desalination plant      |
| * Red Sea Gateway Terminal Company Limited                        | Kingdom of Saudi Arabia  | 20.0                       | 20.0      | 31.12.2008                                       | Operation and maintenance of container terminals                  |
| * Jazan Economic City Land Company                                | Kingdom of Saudi Arabia  | 50.0                       | 50.0      | 31.12.2008                                       | Development of Jazan Economic City in the Kingdom of Saudi Arabia |
| * Equiventures Sdn Bhd  | Malaysia                 | 36.5                       | -         | 31.12.2008                                       | Water treatment concessionaire                                    |
| * Strategi Tegas (M) Sdn Bhd                                      | Malaysia                 | 22.3                       | -         | 31.12.2008                                       | Operation, maintenance and management of water treatment plant    |
| * Hyflux - TJSB Algeria SPA                                       | Algeria                  | 24.9                       | -         | 31.12.2008                                       | Operation and maintenance of sea water desalination plant         |

##### Inactive associates

| Name of company  | Country of incorporation | Group's effective interest |      |
|--|--------------------------|----------------------------|------|
|  |                          | 2008                       | 2007 |
| * Ajil Minerals Sdn Bhd  | Malaysia                 | 49.0                       | 49.0 |
| * Taldy Bulak Mining Corporation   | Kyrgyz Republic          | 40.0                       | 40.0 |
| * Tepat Teknik-VME Sdn Bhd   | Malaysia                 | 34.9                       | 34.9 |
| * MMC Metrail Sdn Bhd  | Malaysia                 | 19.9                       | 19.9 |
| * M.O.S.T. Power JV Sdn Bhd  | Malaysia                 | 29.7                       | 29.7 |
| * Golden Solitaire (Australia) B.V<br>(under members' voluntary liquidation) | Netherlands              | 59.5                       | 59.5 |

#### 44 COMPANIES IN THE GROUP (continued)

##### Jointly controlled entities

| Name of company                                     | Principal activities   | Proportion of ownership interest |           |
|---|--|----------------------------------|-----------|
|   |  | 2008<br>%                        | 2007<br>% |
| * 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 | To undertake the Stormwater Management and Road Tunnel project   | 50.0                             | 50.0      |
| * Whale Shark Maritime Sdn Bhd                      | Transportation of open market cargoes  | 20.0                             | 20.0      |
| * MMC Gamuda Joint Venture Sdn Bhd                  | Undertakes Double Tracking project   | 50.0                             | 50.0      |

The keys to the symbols used are as follows:

\* Audited by firms other than PricewaterhouseCoopers, Malaysia

++ Quoted companies

#### 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 13 March 2008, the Company disposed off 5,000,000 ordinary shares of RM1.00 each in Konsortium Lebuhraya Butterworth - Kulim Sdn Bhd ("KLBK"), representing 100% of the equity interest in KLBK for a total cash consideration of RM134.0 million resulting in a gain of RM43.5 million.
- (b) On 3 November 2008, the Company completed the acquisition of 165,253,604 ordinary shares of RM1.00 each and 1,050,589 Redeemable Convertible Unsecured Loan Stock (RCULS) of RM1.00 each in Aliran Ihsan Resources Berhad ("AIRB") representing approximately 74.36% and 2.45% equity interest respectively for a total cash consideration of RM150.8 million satisfied entirely by cash.

#### 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (b) The Company has also served a notice of mandatory downstream conditional take-over offer (“Notice”) to the Board of Directors of Equiventures Sdn Bhd (“ESB”), a 49% associate company of AIRB to acquire all the remaining ordinary shares of RM1.00 each in ESB (“ESB Share(s)”) not already owned by MMC and AIRB, being the person acting in concert with the Company, for a cash consideration of RM9.37 per ESB Share (“ESB Offer”).

On 22 December 2008, the Company had despatched the offer document in relation to the ESB Offer to the shareholders of ESB and the closing date for the ESB Offer is 20 February 2009 pursuant to an announcement made by the Company on 28 January 2009.

- (c) On 4 August 2008, the Company announced the proposed acquisition of Senai Airport Terminal Services Sdn Bhd (“SATS”) for a total purchase consideration of RM1.95 billion to be satisfied via the allotment and issuance of 696,428,571 new ordinary shares of RM0.10 each in MMC (“MMC Shares”) at an issue price of RM2.80 per new MMC Share (“Proposed SATS Acquisition”).

On 5 December 2008, the Company further announced that it has entered into a supplemental agreement to revise and/or vary certain terms of the Proposed Senai Airport Terminal Services Sdn Bhd acquisition which includes amongst others, the following:

- (i) the purchase consideration shall be fully satisfied in cash instead of the issuance of new MMC Shares; and
- (ii) the total purchase consideration shall be revised from approximately RM1.95 billion to RM1.70 billion.

On 16 January 2009, the Company further informed that the funding for the Proposed SATS acquisition will also include bank borrowings.

The Company is currently in the midst of finalising the Circular to shareholders and will be issuing the Circular to seek the approval of its shareholders in due course.

#### 46 SIGNIFICANT POST BALANCE SHEET EVENT

- (a) On 22 January 2009, the Company converted its cash advances to Recycle Energy Sdn Bhd (“RESB”) for additional 42,500,000 ordinary shares of RM1.00 each representing additional 26% of its equity interest. This has effectively increase the Group’s interest in RESB to 77% (2008: 51%).
- (b) On 30 October 2008, Pelabuhan Tanjung Pelepas Sdn Bhd (“PTP”) accepted the offer of a term loan facility of RM850 million to finance its strategic expansion plan of development and construction of Berths 11 and 12, container yard and purchases of related port equipments. The term loan facility carries an interest rate of 4% per annum for a tenure of 13 years. As at the year end, PTP was in the progress of fulfilling all of the conditions precedent prior to the first drawdown of the term loan facility. The loan agreement was signed on 14 January 2009.

The first drawdown was successfully completed on 3 February 2009 where part of the proceeds from the drawdown was utilised to fully settle the outstanding principal balance of the unsecured bridging loan facilities as disclosed in Note 30 (viii).

- (c) On 4 February 2009, Malakoff Corporation Berhad’s wholly-owned offshore subsidiary, Malakoff International Limited subscribed to 1,400 shares of BHD 100 each totalling to RM1.41 million in Kingdom Utility Holding Company (“KUH”), a company incorporated in Bahrain, representing 33.3% of the total issued and paid-up share capital of KUH.

## 47 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.

As at 31 December 2008, the settlement dates on open forward contracts are 3 months (2007: 3 months). The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts were as follows:

| Hedged item                                       | Currency to be received | RM'000 equivalent | Contractual rate |
|---|-------------------------|-------------------|------------------|
| At 31 December 2008                               |                         |                   |                  |
| Trade receivables:                                |                         |                   |                  |
| - USD253,300                                      | USD                     | 912               | 1 USD=RM3.5709   |
| Trade payables:                                   |                         |                   |                  |
| - USD191,377                                      | USD                     | 698               | 1 USD=RM3.6457   |
| Future sales over the following 6 months:         |                         |                   |                  |
| - USD1,091,012                                    | USD                     | 3,905             | 1 USD=RM3.5789   |
| At 31 December 2007                               |                         |                   |                  |
| Trade receivables:                                |                         |                   |                  |
| - USD420,120                                      | USD                     | 1,397             | 1 USD=RM3.3241   |
| Future cost of sales over the following 6 months: |                         |                   |                  |
| - USD985,824                                      | USD                     | 3,319             | 1 USD=RM3.3668   |

The net unrecognised gain on open contracts which hedge anticipated future foreign currency sales amounted to RM150,993 (2007: Unrecognised loss of RM55,690). The net exchange gain is deferred until the related sales are 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 an unfavourable net position of RM26,552 (2007: Favourable net position of RM36,692).

### Fair value

The carrying amounts of recognised financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values other than as disclosed in the respective notes.

## 48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2009.

as at 31 March 2009

# shareholding statistics

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|                          |   |                                 |
|--------------------------|---|---------------------------------|
| Class of securities      | : | Ordinary Shares of RM0.10 each  |
| Authorised Share Capital | : | RM1,000,000,000.00              |
| Issued paid-up Capital   | : | RM304,505,855.20                |
| Voting rights            | : | 1 vote for every Ordinary Share |
| No. of shareholders      | : | 9,062                           |

## Substantial Shareholders

|   | Direct        | No. of Shares<br>% | Indirect       | %     |
|---|---------------|--------------------|----------------|-------|
| Amanah Raya Nominees (Tempatan) Sdn Bhd<br>(Skim Amanah Saham Bumiputera) | 515,311,600   | 16.92              | -              | -     |
| Permodalan Nasional Berhad  | 164,179,800   | 5.39               | -              | -     |
| Employee Provident Fund Board   | 206,807,500   | 7.07               | -              | -     |
| Seaport Terminal (Johore) Sdn Bhd   | 1,576,108,840 | 51.76              | -              | -     |
| Indra Cita Sdn Bhd  | -             | -                  | *1,576,108,840 | 51.76 |
| Tan Sri Datuk Seri Syed Mokhtar Shah bin Syed Nor                         | -             | -                  | @1,576,108,840 | 51.76 |
| Yayasan Pelaburan Bumiputra   | -             | -                  | #164,179,800   | 5.39  |

Notes: \* deemed interested through Seaport Terminal (Johore) Sdn Bhd  
 @ deemed interested through Indra Cita Sdn Bhd  
 # deemed interested through Permodalan Nasional Berhad

## Analysis By Size of Shareholding

| Size of Holdings                         | No. of Shareholders | % of Shareholders | No. of Shares Held   | % of Issued Capital |
|--|---------------------|-------------------|----------------------|---------------------|
| Less than 100 shares                     | 206                 | 2.27              | 6,462                | 0.00                |
| 100 - 1,000                              | 1,081               | 11.93             | 851,094              | 0.03                |
| 1,001 - 10,000                           | 5,789               | 63.88             | 26,062,454           | 0.86                |
| 10,001 – 100,000                         | 1,668               | 18.41             | 47,428,670           | 1.56                |
| 100,001 to less than 5% of issued shares | 310                 | 3.42              | 516,592,132          | 16.96               |
| 5% and above of issued shares            | 8                   | 0.09              | 2,454,117,740        | 80.59               |
| <b>TOTAL</b>                             | <b>9,062</b>        | <b>100.00</b>     | <b>3,045,058,552</b> | <b>100.00</b>       |

## Directors' Interest as per the Register of Directors' Shareholdings

| No. | Name of Director   | No. of shares held (direct) | % of issued capital |
|-----|--|-----------------------------|---------------------|
| 1   | Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob | 50,000                      | Negligible          |

# thirty largest shareholders

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| No | Name   | No. of shares held | % of issued capital |
|----|--|--------------------|---------------------|
| 1  | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Skim Amanah Saham Bumiputera  | 515,311,600        | 16.92               |
| 2  | Mayban Nominess (Tempatan) Sdn Bhd<br>Aseambankers Malaysia Berhad for Seaport Terminal<br>(Johore) Sdn Bhd          | 460,000,000        | 15.11               |
| 3  | Public Nominees (Tempatan) Sdn Bhd<br>Pledged securities account for Seaport Terminal<br>(Johore) Sdn Bhd (PBL)      | 433,000,000        | 14.22               |
| 4  | EB Nominees (Tempatan) Sendirian Berhad<br>Pledged securities account for Seaport Terminal<br>(Johore) Sdn Bhd (KLM) | 253,000,000        | 8.31                |
| 5  | Mayban Nominees (Tempatan) Sdn Bhd<br>Aseambankers Malaysia Berhad for Seaport Terminal<br>(Johore) Sdn Bhd          | 238,000,000        | 7.82                |
| 6  | Employees Provident Fund Board   | 198,517,500        | 6.52                |
| 7  | Seaport Terminal (Johore) Sdn Bhd  | 192,108,840        | 6.31                |
| 8  | Permodalan Nasional Berhad   | 164,179,800        | 5.39                |
| 9  | Kumpulan Wang Persaraan (Diperbadankan)  | 94,342,700         | 3.10                |
| 10 | Valuecap Sdn Bhd   | 49,916,400         | 1.64                |
| 11 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Amanah Saham Wawasan 2020   | 30,130,300         | 0.99                |
| 12 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Amanah Saham Malaysia   | 19,507,000         | 0.64                |
| 13 | Mayban Nominees (Tempatan) Sdn Bhd<br>Mayban Trustee Berhad for Public Ittikal fund                                  | 16,864,000         | 0.55                |
| 14 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Amanah Saham Didik  | 15,290,600         | 0.50                |
| 15 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Islamic Dividend Fund  | 11,701,600         | 0.38                |
| 16 | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Sekim Amanah Saham Nasional   | 10,167,900         | 0.33                |
| 17 | Citigroup Nominees (Asing) Sdn Bhd<br>Exempt an for Mellon Bank (Mellon)   | 7,356,400          | 0.24                |
| 18 | Mayban Nominees (Tempatan) Sdn Bhd<br>Mayban Trustees Berhad for Public Regular Savings Fund                         | 7,212,900          | 0.24                |
| 19 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Fund   | 6,967,679          | 0.23                |

| No           | Name   | No. of shares held   | % of issued capital |
|--------------|--|----------------------|---------------------|
| 20           | HSBC Nominees (Asing) Sdn Bhd<br>BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund      | 6,505,700            | 0.21                |
| 21           | Amanah Raya Nominees (Tempatan) Sdn bhd<br>Public Islamic Equity Fund                                  | 6,486,000            | 0.21                |
| 22           | Lembaga Tabung Angkatan Tentera  | 6,370,000            | 0.21                |
| 23           | Citigroup Nominees (Asing) Sdn Bhd<br>CBHK PBGSGP for Sunnyvale Holdings Ltd                           | 6,362,100            | 0.21                |
| 24           | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for JPMorgan Chase Bank, National Association (Netherlands) | 6,151,800            | 0.20                |
| 25           | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Growth Fund  | 6,148,100            | 0.20                |
| 26           | Cartaban Nominees (Asing) Sdn Bhd<br>State Street For Ishares, Inc.                                    | 5,617,200            | 0.18                |
| 27           | SBB Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraaan (Diperbadankan)                            | 5,539,600            | 0.18                |
| 28           | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for JPMorgan Chase Bank, National Association (U.A.E)       | 5,194,934            | 0.17                |
| 29           | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Islamic Asia Dividend Fund                           | 4,899,600            | 0.16                |
| 30           | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>Public Equity Fund  | 4,361,400            | 0.14                |
| <b>Total</b> |  | <b>2,787,211,653</b> | <b>91.53</b>        |

# list of properties

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| Location  | Tenure                 | Area<br>(hectares) | Description/<br>existing use   | Year of<br>expiry | Net book<br>value<br>(RM'000) | Age of<br>building<br>(years) | Year of<br>acquisition |
|---|------------------------|--------------------|--|-------------------|-------------------------------|-------------------------------|------------------------|
| PT 21<br>Persiaran Raja Chulan<br>Kuala Lumpur  | Freehold               | 0.61               | Property<br>development<br>project                                     | -                 | 20,000                        | -                             | 2000                   |
| Lot Nos. 762 & 763, Setul<br>District of Seremban, Negeri<br>Sembilan Darul Khusus                                    | Leasehold              | 5.56               | Factory building   | 2088              | 21,972                        | 17                            | 1992                   |
| Mukim Ulu Sepetang<br>Taiping, Perak Darul Ridzuan  | Freehold               | 738                | Oil palm<br>plantation   | -                 | 21,516                        | -                             | 1994                   |
| Mukim of Serkat<br>District of Pontian<br>Johor Darul Takzim  | Leasehold              | 362.43             | Industrial land<br>with power<br>plant                                 | 2048              | 84,777                        | 2                             | 2003                   |
| PTD No. 2423<br>Tanjung Kupang<br>District of Johor Bahru<br>Johor Darul Takzim                                       | Leasehold              | 349.04             | Port terminal,<br>office buildings,<br>commercial &<br>industrial land | 2099              | 1,808,317                     | 9                             | 2000                   |
| Lot Nos. 2424-2504, 2514,<br>2516, 2517, 2519-2521<br>Tanjung Kupang<br>District of Johor Bahru<br>Johor Darul Takzim | Leasehold              | 726.52             | Commercial &<br>industrial land  | 2099              |                               | -                             | 2000                   |
| PTD No. 1586, Serkat<br>District of Pontian<br>Johor Darul Takzim   | Grant in<br>perpetuity | 114.92             | Land for port<br>terminal &<br>buildings                               | -                 |                               | -                             | 2001                   |
| Plentong,<br>District of Johor Bahru,<br>Johor Darul Takzim   | Leasehold              | 13.44              | Container<br>berths 1 & 2  | 2052              | 109,854                       | 16                            | 1992                   |
| Plentong<br>District of Johor Bahru<br>Johor Darul Takzim   | Leasehold              | -                  | Dangerous<br>cargo jetty   | 2052              | 28,836                        | 16                            | 1992                   |
| Plentong<br>District of Johor Bahru<br>Johor Darul Takzim   | Leasehold              | 112.10             | Berths 7-11  | 2052              | 165,882                       | 11                            | 1997                   |
| Plentong<br>District of Johor Bahru<br>Johor Darul Takzim   | Leasehold              | -                  | Dangerous<br>cargo jetty 4   | 2052              | 35,998                        | 9                             | 1999                   |
| PTD Nos. 1836-1838, 1851<br>& 1357, Serkat/Sg. Karang<br>District of Pontian<br>Johor Darul Takzim                    | Leasehold              | 912.78             | Industrial/<br>vacant  | 2103              | 523,967                       | 3                             | 2005                   |

# notice of annual general meeting

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NOTICE IS HEREBY GIVEN THAT the Thirty-Third Annual General Meeting ("AGM") of members of MMC Corporation Berhad will be held at the Taming Sari Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur, 6, Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Tuesday, 26 May 2009 at 3.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

## ORDINARY BUSINESS

1. "THAT the Audited Financial Statements for the year ended 31 December 2008 and the Directors' and Auditors' Report thereon be and are hereby received."
2. "THAT the final single-tier dividend of 2.5 sen per share for the year ended 31 December 2008 be and is hereby approved and declared payable on 26 June 2009 to the members of the Company registered at the close of business on 5 June 2009."
3. "THAT Encik Ooi Teik Huat, who was appointed after the last AGM and retires pursuant to Article 85 of the Company's Articles of Association, be and is hereby re-elected a director of the Company."
4. "THAT the following directors, who retire in accordance with Article 78 of the Company's Articles of Association, be and are hereby re-elected directors of the Company:
  - a) Dato' Wira Syed Abdul Jabbar Syed Hassan
  - b) Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman Wan Yaacob
5. "THAT Dato' Abdullah Mohd Yusof, a director whose office shall become vacant at the conclusion of this AGM pursuant to Section 129(2) of the Companies Act 1965 ("Act"), be and is hereby appointed as a director of the Company pursuant to Section 129(6) of the Act, to hold office until the conclusion of the next AGM."
6. "THAT the directors' fees of RM518,253 for the year ended 31 December 2008 be and is hereby approved."
7. "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 their remuneration be fixed by the Board."

## SPECIAL BUSINESS

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

### Ordinary Resolution

#### Authority to Allot Shares

8. "THAT pursuant to Section 132D of the Act, 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 approval 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."

### Ordinary Resolution

#### Directors' Fees

9. "THAT the payment of directors' fees not exceeding RM700,000 for each financial year commencing from the financial year ending 31 December 2009 be and is hereby approved."

### CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN THAT shareholders who are registered in the Register of Members and Record of Depositors at the close of business on 5 June 2009 shall be entitled to the final dividend which will be paid on 26 June 2009.

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 5 June 2009 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

**Ahmad Aznan Mohd Nawawi**

**Sazlin Ayesha Abdul Samat**

Secretaries

Kuala Lumpur

4 May 2009

#### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A proxy form, to be valid, must reach the Registrar's office at 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.

### Explanatory Notes to the Special Business:

#### Ordinary Resolution No. 8

##### 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.

#### Ordinary Resolution No. 9

##### Directors' Fees

The proposed resolution, if passed, will empower the board to pay directors' fees not exceeding RM700,000 for each financial year commencing from the year ending 31 December 2009 pursuant to Article 87 of the Articles of Association of the Company.

# statement accompanying notice of annual general meeting

## Details of director standing for re-election at the Annual General Meeting pursuant to Article 85 of the Company's Articles of Association

|   |   |
|---|---|
| Name  | Ooi Teik Huat   |
| Age   | 49  |
| Nationality   | Malaysian   |
| Position on the Board   | Independent Non-Executive Director  |
| Date first appointed to the Board   | 22 May 2008   |
| Membership of Board Committee   | Audit Committee   |
| Working experience  | As enumerated in the Profile<br>of Directors on page 38<br>of this Annual Report  |
| Occupation  | Director<br>Meridian Solutions Sdn Bhd  |
| Any other directorships in<br>public companies                                      | Johor Port Berhad, Tradewinds<br>Plantation Berhad, DRB-Hicom Berhad,<br>Edaran Otomobil Nasional Berhad<br>and Tradewinds (M) Berhad |
| Securities holdings in the Company  | NIL   |
| Any family relationship with Directors and/<br>or major shareholders of the Company | NIL   |

# 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 to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Taming Sari Ballroom, Ground Floor, The Royale Chulan Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur, Malaysia on Tuesday, 26 May 2009 at 3.30 p.m., and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting:

(Please indicate "X" in the appropriate box against each resolution as to how you wish your proxy/proxies to vote)

| No.                      | Resolution   | For | Against |
|--------------------------|--|-----|---------|
| <b>Ordinary Business</b> |  |     |         |
| 1                        | Financial Statements and Directors' and Auditors' Report   |     |         |
| 2                        | Declaration of dividend  |     |         |
| 3                        | Re-election of Encik Ooi Teik Huat pursuant to Article 85  |     |         |
| 4                        | Re-election of directors pursuant to Article 78:<br>(a) Dato' Wira Syed Abdul Jabbar Syed Hassan<br>(b) Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob |     |         |
| 5                        | Appointment of Dato' Abdullah Yusof pursuant to Section 129(6) of the Companies Act 1965   |     |         |
| 6                        | Directors' fees for financial year ended 31 December 2008  |     |         |
| 7                        | Re-appointment of Auditors   |     |         |
| <b>Special Business</b>  |  |     |         |
| 8                        | Ordinary Resolution: Authority to Allot Shares   |     |         |
| 9                        | Ordinary Resolution: Directors' fees for each financial year commencing from the financial year ending 31 December 2009  |     |         |

Signature \_\_\_\_\_

Number of shares held

Date \_\_\_\_\_

\_\_\_\_\_

- NOTES**
- 1 This proxy form must be deposited at the Registrar's office at 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 A member of the Company may appoint up to two (2) proxies to attend the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be presented by each proxy.
  - 3 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.
  - 4 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.
  - 5 In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register.
  - 6 Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he/she thinks fit.

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affix stamp

To

**The Registrar**  
Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi Purpose  
Capital Square, No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia

fold here

**Company Secretaries**

Ahmad Aznan Mohd Nawawi  
Sazlin Ayesha Abdul Samat

**Registered Office**

Level 8, Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Tel 603 2142 4777  
Fax 603 2148 9887  
Email cosec@mmc.com.my

**Auditors**

PricewaterhouseCoopers  
Chartered Accountants

**Share Registrar**

Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia  
Tel 603 2721 2222  
Fax 603 2721 2530

**Principal Banker**

CIMB Bank Berhad

**Stock Exchange Listing**

Main Board  
Bursa Malaysia Securities Berhad

## corporate information

## financial calendar

Annual General Meeting

**26 May 2009**

Entitlement to 2008 final dividend

**5 June 2009**

Payment of 2008 final dividend

**26 June 2009**

Financial year ending 31 December 2009

Announcement of results:

- 1<sup>st</sup> quarter **28 May 2009**

- 2<sup>nd</sup> quarter **26 Aug 2009**

- 3<sup>rd</sup> quarter **24 Nov 2009**

- 4<sup>th</sup> quarter **24 Feb 2010**

These dates are subject to change

## MMC on the internet

The Company's website at [www.mmc.com.my](http://www.mmc.com.my) offers useful information that interested persons, investors and analysts would like to know about the Company's business, management and share information.

This website also offers an Email Alert service that will notify subscribers of 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 available at our website.

[www.mmc.com.my](http://www.mmc.com.my)



**MMC Corporation Berhad 30245-H**

Level 8, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. Tel 603 2142 4777 Fax 603 2148 9887

[www.mmc.com.my](http://www.mmc.com.my)