



06

annual
report


transport
& logistics

energy
& utilities

engineering
& construction



A horizon of
opportunities



Our focus on growing our core businesses has resulted in a stronger financial performance and positioned MMC as an emerging global utilities and infrastructure group. We will continue our efforts on creating sustainable growth and building a company that would deliver value for our shareholders.

p14



p18



p22



contents

transport
& logistics

energy
& utilities

engineering
& construction

2	five-year financial highlights	41	internal control statement
4	chairman's letter to shareholders	44	risk management report
10	management's discussion & analysis (MD&A)	46	additional compliance information
26	board of directors	48	corporate social responsibility report
29	management team	50	highlights of the year
30	audit committee report	56	financial statements
34	statement on corporate governance	141	shareholding statistics
		145	notice of annual general meeting

five-year financial highlights

	2003	2004*	2004^	2005	2006
Profit before tax	205	220	459	535	581
Profit after tax and minority interest	111	116	291	381	390
Gross assets	7,018	7,294	7,485	7,908	9,997
Shareholders' funds	3,009	3,097	3,336	3,752	4,146
Market value of quoted investments	1,761	2,240	2,499	2,408	2,946
Pre-tax return on shareholders' funds (%)	6.8	7.1	13.8	14.3	14.0
Earnings per share (sen)	12.9	10.3	25.8	31.1	25.6
Dividend per share (sen)	5	5	6	6	9
Net asset per share (sen)	268	275	296	246	272

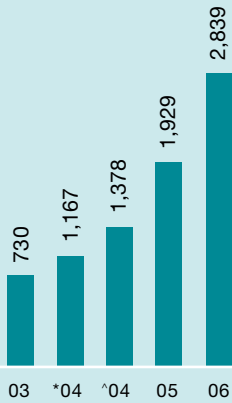
RM million unless otherwise stated

* Financial year ended 31 January 2004

^ Financial period ended 31 December 2004

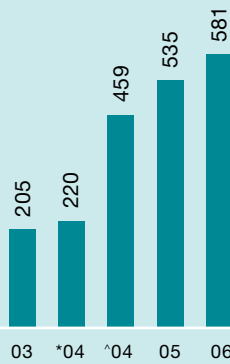
Revenue

RM million



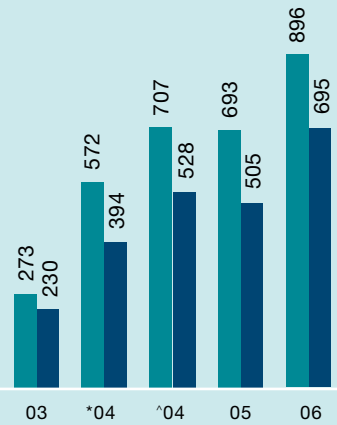
Profit before tax

RM million



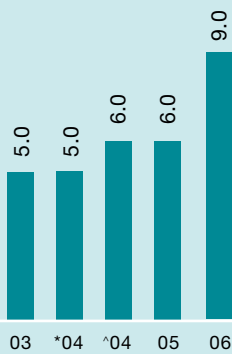
EBITDA / EBIT

RM million



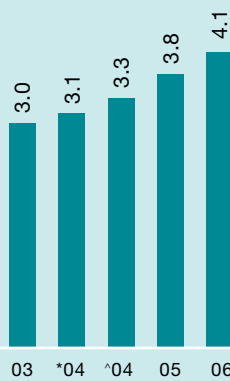
Dividend per share

Sen



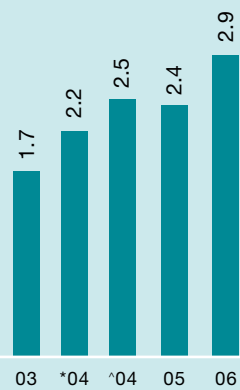
Shareholders' funds

RM billion



Market value of quoted investments

RM billion





chairman's letter to shareholders

Dear Shareholder,

We made significant strides in 2006 both locally and abroad. We completed our acquisition of the entire equity interest in Johor Port Berhad ("Johor Port") and took it private thus adding a new revenue stream to our Transport & Logistics division and giving us a wider foothold in the high-growth Southern Johor region. We also announced our plans to acquire Malakoff Berhad's ("Malakoff") businesses for RM9.3 billion, which will turn MMC into the leading independent power producer in the country. This is the largest leveraged buy-out ever undertaken in Malaysian corporate history. Overseas, we secured the rights to develop and manage the US\$30 billion "Jazan Economic City" in Saudi Arabia together with the Saudi Binladin Group. This is one of the largest projects ever secured by a Malaysian company anywhere in the world. We believe MMC is well on its way to becoming a major utilities and infrastructure group with a global reach.

A GROWING BUSINESS PORTFOLIO

Transport & Logistics

Our Transport & Logistics division reported better results mainly attributable to a higher contribution from Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") and the consolidation of Johor Port's nine-month results. The acquisition of Johor Port provides us with steady annual cash flows and allows us to draw synergies from both ports in Johor arising from the similarity in their businesses and their close proximity. Johor Port's contribution to this division's profits will increase this year as we consolidate its full-year results.

Johor Port is a multi-purpose port catering to virtually all types of cargo, making it robust to fluctuations affecting a particular type of cargo. The port serves as an important origination point for cargo, particularly from the adjoining hinterland.

The port is also the key gateway for palm oil cargo and has the world's largest vegetable oil tanking

installation. Aware of the importance of providing total logistics solutions to its customers, Johor Port had in 1997 formed a logistics subsidiary, JP Logistics Sdn Bhd, to provide a complete logistics package to customers to meet their total logistics requirements. Last year JP Logistics Sdn Bhd contributed substantially to Johor Port's business, and the subsidiary is now a key growth driver for the port.

PTP maintained its position as Malaysia's biggest container terminal, recording a 14% growth in container throughput from 4.2 million TEU in 2005 to 4.7 million TEU in 2006. This growth in volume was largely driven by the integration of PTP's largest customer, Maersk Line with P&O Nedlloyd.

Strategically positioned at a key crossroad in the global shipping network, the port also benefits from the growth in the level of containerisation and trade in the region. PTP continues to raise the bar in terminal management and operations, averaging more than 30 container moves per hour per crane last year, making it one of the most efficient ports in the world.



Energy & Utilities

The Energy & Utilities division continued to record a strong performance, with higher contributions from Gas Malaysia Sdn Bhd ("Gas Malaysia"). The company registered a record number of new industrial customers last year due to the competitive price of natural gas and its own aggressive supply driven approach. Restrictions in the supply of natural gas to Gas Malaysia, however, will affect the company's future growth.

Malakoff made a lower contribution to this division's profits due mainly to a lower capacity factor at the Lumut, GB3 and Prai power plants and a one-month shutdown of the Prai power plant for turbine repairs. The repairs have been completed and the problem is not expected to recur. Malakoff's generation capacity is set to grow again this year with the completion of the 2,100 MW Tanjung Bin power plant in August. By the time this power plant becomes fully operational, the company's effective generation capacity will have increased from 4,390 MW currently to over 5,000 MW, representing a 24% market share of the generation capacity in Peninsular Malaysia.

Given the current excess capacity in the country, there are not expected to be any requirements for new power plants in Malaysia in the near future. To boost its future profits, Malakoff is pursuing a global expansion drive, particularly in countries that are making significant investments in infrastructure development. Following its involvement in the RM9 billion Shuaibah independent water and power project in Saudi Arabia, the company went on to participate in a water desalination plant project in Algeria and was part of a consortium that acquired an interest in the Dhofar Power Company in Oman. These projects provide Malakoff an excellent platform for future expansion in the West Asian region and beyond. In time, these international projects will contribute significantly to the company's total profits.

Engineering & Construction

The Engineering & Construction division continues to pursue opportunities locally and abroad. Work on the



Stormwater Management & Road Tunnel ("SMART") project will be completed by the end of June this year, as scheduled. The residents of Kuala Lumpur will no doubt look forward to a lower incidence of floods as well as improved traffic flow in parts of the city as a result of this innovative project.

Zelan Berhad ("Zelan"), our associate, is performing well in the construction sector. Its construction unit has almost completed the engineering, procurement and construction contract for the Tanjung Bin power plant together with Sumitomo Corporation and has also successfully secured projects overseas. IJM Corporation Berhad, in which Zelan has a substantial interest, continues to reinforce its position as a leading construction company with a strong order book, contributed by successes locally and abroad.

International Operations

Last year marked a significant achievement in our international operations when we secured an award to develop and manage the "Jazan Economic City" in Saudi Arabia together with the Saudi Binladin Group.



With an estimated development value of US\$30 billion over 30 years, this Economic City is envisioned to be a fully integrated and self-contained development which will comprise industrial and non-industrial zones on a site measuring approximately 117 square km. This award by the Saudi Government for us to jointly develop this landmark project underscores MMC's position as an emerging global utilities and infrastructure group and affirms our ability to deliver world class projects.

STRONG FINANCIAL RESULTS

MMC turned in a strong performance last year. The Group's revenue increased by 47% to a record RM2.8 billion from RM1.9 billion mainly attributable to the consolidation of Johor Port's results for nine months and higher revenues from Gas Malaysia. Profit before tax grew by 9% to RM581 million from RM535 million mainly attributable to improved contributions from the Energy & Utilities and Transport & Logistics divisions, the consolidation of Johor Port's results for nine months and the recognition of negative goodwill of RM70 million arising from the acquisition of Johor

Port. Excluding exceptional items of RM87 million for 2006 and RM195 million for 2005, our profit before tax grew by 45% to RM494 from RM340 million. If we also exclude the contribution of Johor Port's nine-month results of RM118 million, our profit before tax grew by 11% to RM376 million from RM339 million driven by improved contributions from Gas Malaysia and PTP. Our comparative results for 2005 have been re-stated to conform to the presentation for 2006's results which comply with the new financial reporting standards.

This strong performance has enabled us to propose a higher dividend per share of 9 sen, comprising 8 sen less 27% tax and 1 sen tax exempt. This represents a net dividend payout of RM104 million, an increase of RM38 million or 58% over the previous year and the highest dividend paid in recent years. We are pleased that our efforts at building the business have generated better results and enabled us to enhance the value we deliver to our shareholders. You will find further discussion on our results and other important aspects of our business in the financial statements and the Management's Discussion and Analysis further along in this annual report.

CORPORATE GOVERNANCE

MMC is controlled and led by a board of directors whose objective is to maximise value for shareholders while ensuring that the interests of all stakeholders are protected. In fulfilling their duties, the board and its committees strive to ensure that the appropriate policies and procedures are established and, as important, that they are implemented and followed. To help ensure that we deliver to the market information that is accurate, timely and consistent, we established a Corporate Disclosure Policy, soon after guidelines on the subject were issued by the stock exchange.

We place a lot of importance on the way in which the Group is directed and controlled, the structure to which corporate objectives are set, and the means of attaining those objectives and monitoring performance. The policies and procedures that guide the way we do business are set out in our corporate governance report that appears on pages 34 to 40 of this annual report.

CORPORATE SOCIAL RESPONSIBILITY

In response to the recent floods in Johor, we initiated an effort to send supplies directly to flood victims in remote villages in Johor. Our own employees volunteered for these relief efforts to reach out directly to those in need. While the main focus of a business is on financial results, we want to sustainably produce profits while making a meaningful contribution to society, particularly in areas in which we do business. We support various humanitarian, social and educational causes, some of which appear in our corporate social responsibility report on pages 48 and 49 of this annual report.

THE FUTURE

Our results this year are expected to improve due mainly to our acquisition of Malakoff's businesses. This contribution will increase even further in 2008 when full-year results are incorporated from the Tanjung

Bin power plant. There is also considerable growth potential from Malakoff's overseas ventures. Malakoff's international successes to-date are a testimony of the company's capabilities in building and managing power plants, and the company is intensifying its business development efforts to grow its global power generation business. The contribution from the Energy & Utilities division will continue to provide us with a steady income stream in the coming years.

With 90% of world trade moving by sea, our ports are expected to experience sustainable growth, driven by higher global trade, as well as improvements in cost efficiencies. The challenge for our ports will be to generate sufficient capacity to keep up with rising demand, and enhance connectivity to ensure the smooth running of the global supply chain. Johor Port's growth will also be driven in large part by its logistics operations, which offer customers an integrated end-to-end service, through its nationwide transportation and distribution network. Both ports are indeed well placed to benefit from the Government's plans for the Iskandar Development Region, which will increase Southern Johor's attractiveness as an investment destination and fuel growth for industries in that region for years to come.

We expect our Engineering & Construction division to benefit from construction-based spending under the Ninth Malaysia Plan. This division will continue to focus on engineering, procurement and construction works in the oil and gas, power plant, and major infrastructure sectors, both locally and abroad. We are confident that our track record, enhanced by our involvement in leading-edge and innovative engineering initiatives like the SMART project, will help us build a sizeable order book going forward.

Our success in securing the "Jazan Economic City" project is a significant achievement, and one that we think would open other doors of opportunity in that region. We will leverage on the Group's strengths to ensure that this project will be implemented ahead of schedule and within budget and also become a project that the Government and people of Saudi Arabia will be proud of.



We stated in last year's annual report that our mission in 2006 was to nurture a steady growth of our businesses, and I believe our stronger results have demonstrated our commitment to that promise. We will continue to recruit, develop and challenge the best talent available to ensure that MMC is managed by the best minds, as we believe that this will be the recipe for success in our continuous drive to build shareholder value.

THANK YOU

On behalf of the board, I would like to record our deepest gratitude to Tan Sri Dato' Thong Yaw Hong and Dato' Hilmi Mohd Noor who stepped down from the board on 31 August 2006. Tan Sri Thong served on the board for almost 20 years and holds the distinction of being one of our longest serving directors. We have benefited immensely from the contribution of both directors and we wish them all the very best in their future endeavours.

I thank you, our shareholder, on behalf of the MMC team for your continuing support. Our sincere appreciation

goes out to our business associates, financiers and clients, who have helped us in our journey thus far. I also wish to record our thanks to our employees, whose drive and dedication have enabled MMC to continue to deliver. Finally, I wish to express my gratitude to my colleagues on the board for their guidance and counsel. To all our stakeholders, we look forward to your continuing support in our days ahead as we continue to pursue our agenda for growth.

Sincerely,

Dato' Wira Syed Abdul Jabbar bin Syed Hassan

Chairman

April 2007

Feizal Ali
Group Chief Executive



MD&A management's discussion & analysis

Our focus on building our businesses has resulted in a stronger financial performance in 2006. Our aim is to be a leader in industries in which we operate, a company where the best people want to work, and a strong partner with whom people want to do business. Based on the strong foundations that have been built, we will continue to expand our horizon to achieve our goal of becoming a global utilities and infrastructure group.



transport & logistics

- 70 % **Pelabuhan Tanjung Pelepas**
container port and logistics hub
- 100 % **Johor Port**
multi-purpose port & logistics operations
- 100 % **Konsortium Lebuhraya Butterworth-Kulim**
toll road operations

energy & utilities

- 22% **Malakoff**
power generation
- 41.8% **Gas Malaysia**
natural gas distribution
- 63% **Recycle Energy**
waste management & recycling and renewable energy
- 99.9% **Oil & Gas MMC Oil & Gas**
design engineering services
- 69.9% **Oil & Gas Tepat Teknik**
steel fabrication works

engineering & construction

- 39.2% **Zelan**
investment holding
 - 100% **Zelan Construction**
power plant construction
 - 11.4% **IJM**
major infrastructure
- 99.9% **MMC Engineering & Construction**
engineering services

■ Listed Company

■ Non-Listed Company

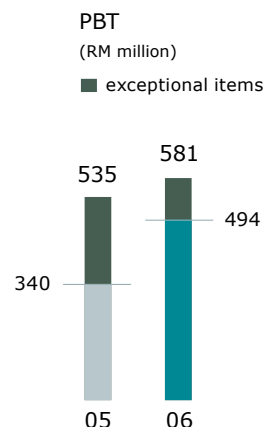
% Percentage figure denotes Group's interest, except in the case of Zelan Construction & IJM

others

- 20.1% **Integrated Rubber Corporation** (manufacturing & trading of rubber gloves)
- 52.9% **Kramat Tin Dredging** (refocusing business)
- 75.6% **Seginiaga Rubber Industries** (weatherstrip manufacturing)
- 75.7% **MMC Metal Industries** (foundry operations & precision engineering)

MD&A

consolidated operations



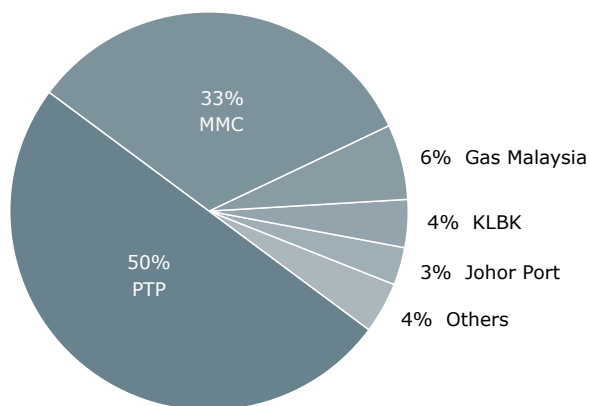
The Group's revenue increased by 47% to RM2.8 billion – a new record. This was mainly due to the consolidation of Johor Port Berhad's ("Johor Port") nine-month results and higher revenues by Gas Malaysia Sdn Bhd ("Gas Malaysia"). Profit before tax grew by 9% to RM581 million principally due to higher contributions from the Energy & Utilities and Transport & Logistics divisions, the consolidation of Johor Port's results and the recognition of negative goodwill of RM70 million arising from the acquisition of Johor Port.

Excluding exceptional items of RM195 million for 2005 and RM87 million for 2006, our profit before tax grew by 45% to RM494 million. Last year, the exceptional items comprised the negative goodwill of RM70 million arising from our acquisition of Johor Port and gains of RM16.7 million from the disposal of our shares in Malaysia Smelting Corporation Berhad ("MSC"). If we also exclude the impact of Johor Port's contribution of RM118 million from last year's results, our profit before tax increased by 11% to RM376 million, principally attributable to improvements in the performance of Gas Malaysia and Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP"). Our improved performance is the result of our continuing efforts on building the business through organic growth and acquiring assets that enhance shareholder value.

Liquidity

Our objective in liquidity management is to ensure sufficient liquidity to meet our obligations and take advantage of investment opportunities as they arise. The Group ended the year with RM666 million in cash and deposits, an increase of 49% over the previous financial year. Our subsidiaries have sufficient internally-generated cash to sustain their operations and develop future businesses, without having to seek significant financial assistance from the holding company. Our portfolio of non-core assets and ready access to the capital markets give us financial flexibility to fund the future growth of our businesses.

Group borrowings by company



Borrowings

As at the end of the last financial year, the Group's borrowings stood at RM3.9 billion. Approximately 98% of the debt at the operating companies are non-recourse to the holding company. The breakdown of the Group's total borrowings is as follows:

- RM1.3 billion at the holding company;
- RM2 billion at PTP;
- RM248 million at Gas Malaysia;
- RM171 million at Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd ("KLBK");
- RM124 million at Johor Port; and
- RM108 million representing borrowings by other subsidiaries within the Group.

Once we complete our acquisition of Malakoff Berhad's ("Malakoff") businesses, the Group's borrowings will increase to RM19 billion, which is equivalent to four times' the Group's shareholders' funds. Despite the significant rise in the Group's borrowings, the Group's earnings before interest, tax, depreciation and amortisation/interest expense, which was almost four times in 2006, is envisaged to remain strong as the Group's subsidiaries have adequate debt servicing capacities. Our earnings are sufficient to comfortably service the debt level at the respective companies.

Sale of non-core assets

In line with our strategy to dispose of non-core assets and focus on our three core businesses, we disposed of our remaining 30% stake in MSC last year. This sale was the most recent in a series of disposals carried out over the last few years to reduce our non-core holdings. In 2005, we reduced our stake in MSC from 38% to 30%; and our stake in Sime Darby Berhad from 3.9% to 1.7%. The proceeds from these disposals were largely used to reduce our debt. We will continue to reduce our existing portfolio of non-core assets to further reduce our debt and increase our focus on growing our core businesses.

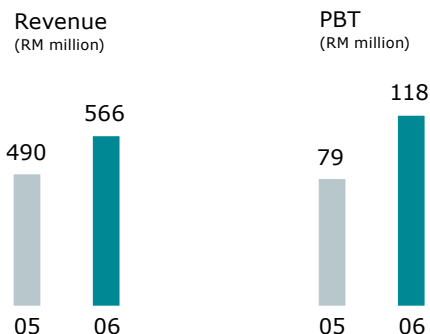
MD&A

segment
operations

transport & logistics



PTP



port operations

PTP recorded a revenue growth of 15% to RM566 million, principally attributed by an increase in throughput from 4.2 million TEU to 4.7 million TEU. The throughput increase was largely driven by the shift of cargo to PTP by P&O Nedlloyd, which was acquired by Maersk Line, the port's largest customer. The increase in throughput was also driven by growth from other regional lines as well as MISC's new container line service in PTP, which began in the third quarter of 2006. On a macro level, new vessel deliveries in 2006 also ensured that container lines had the capacity to take advantage of rising container growth. These factors together with efficiencies achieved through cost-savings initiatives implemented during the year, contributed to the 50% increase in PTP's profit before tax to RM118 million.

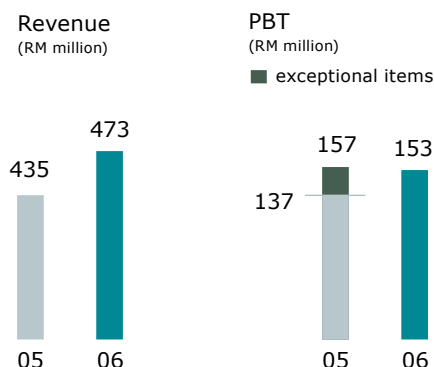
PTP is expanding its available capacity to keep up with continued rising demand and is enhancing connectivity to and from new growth areas in the South East Asian region. With the completion of berths 9 & 10 and the delivery of equipment on

order, PTP will increase its throughput capacity to almost 8 million TEU from 6 million TEU currently.

Already the most advanced and efficient container terminal in the country, PTP continues to raise the bar in terminal management and operations, averaging more than 30 container moves per hour per crane, making it one of the most efficient ports in the world. PTP will continue to leverage on its strategic location, competitive rates and world-class efficiency to establish its position as a premier transshipment hub in the region.

The utilisation of the Pelepas Free Zone continued to increase following the completion of the 1 million square foot Flextronics industrial campus. CIBA Vision and Japan Solderless Terminals, which have set up facilities there, are expected to commence operations this year. With increased available capacity, enhanced connectivity, a strengthening hinterland base and high productivity, PTP is confident of attracting additional lines that will make the port as its South East Asian hub.

Johor Port



Johor Port recorded a revenue growth of 8% to RM473 million, principally attributed by an increase in the amount of containers, break bulk and dry bulk cargo and a higher contribution from its wholly-owned subsidiary, JP Logistics Sdn Bhd ("JP Logistics"). Profit before tax dropped slightly from RM157 million to RM153 million. Johor Port's results for 2005, however, included a negative goodwill of RM20 million arising from the company's acquisition of Seaport Worldwide Sdn Bhd. Excluding this negative goodwill, Johor Port's profit before tax increased by 12% from RM137 million to RM153 million in 2006. The MMC Group's results for 2006 consolidated Johor Port's results for nine months.

Acquiring Johor Port has provided MMC steady annual cash flows and a wider foothold in the high-growth Southern Johor region. The challenge for this mature port will be to continue to deliver sustainable growth given its limited space for expansion. To extract greater value from its resources, the port is focusing on increasing its efficiency and offering value-added services. The port's equipment are being modernised and upgraded to increase productivity. There is also an on-going training programme to improve the

skills and efficiency of employees to improve their efficiency. The port is also aggressively pursuing new businesses, such as the ship-to-ship, salvage and warehouse management business to generate new revenue streams.

In 2000, the company established JP Logistics to supplement its port services and offer customers an integrated end-to-end logistics service. Last year, JP Logistics recorded a profit before tax of RM29 million, a significant increase over its profit of RM18 million during the previous year. JP Logistics is continuing to expand its activities, particularly in haulage and warehousing to the central region, and is expected to be a key growth driver for Johor Port.

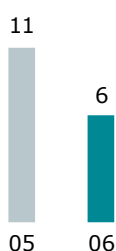
The recently launched Iskandar Development Region ("IDR") is a major stimulus for the development of South Johor and is expected to become a catalyst for foreign direct investments in the region. Located strategically within the IDR, both Johor Port and PTP are well positioned to benefit from the growth in hinterland cargo arising from further industrialisation in this region. Johor Port's 2,200 acres of land, located opposite PTP and next to the Tanjung Bin power plant, also provides opportunities for new revenue streams.

KLBK

Revenue
(RM million)



PBT
(RM million)



toll road operations

There has been a considerable improvement in the financial position of KLBK as a result of the refinancing exercise that was carried out in 2006, the restructuring of the toll rates implemented by the Government in June 2005 and the payment of compensation by the Government to the company.

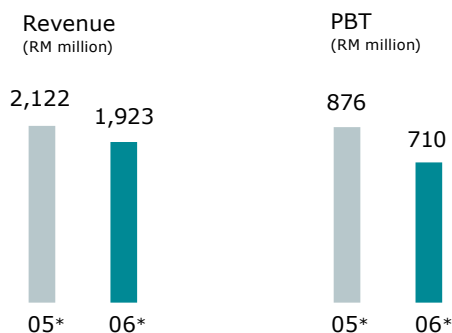
Excluding the impact of toll compensations, KLBK recorded a revenue growth of 11% to RM30 million, principally attributable by an increase in traffic volume. Excluding the impact of toll compensations, the company's profit before tax, however, dropped marginally from RM5 million to RM4.6 million due to a higher interest expense in the last financial year.

Last year, the highway recorded a 4% increase in average daily traffic of 54,220 vehicles, compared to 52,168 vehicles in 2005. Traffic volume on the highway registered a compounded average growth rate of 5.6% per annum between 1997, when the highway commenced operations, and 2006. With expectations of growth in the medium term in the Kulim Hi-Tech Park and surrounding areas due to the Ninth Malaysia Plan, KLBK should continue to show reasonable growth and be self-sustaining in the coming years.

energy & utilities



Malakoff



* financial year ended 31 August

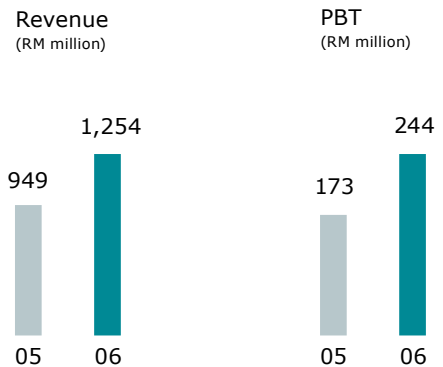
power generation

Malakoff's profit before tax fell by 19% to RM710 million compared to the previous year mainly attributable to a lower capacity factor at the Lumut, GB3 and Prai power plants, unscheduled outages and a lower share of profit from an associate company. Despite its lower profit, Malakoff declared a full-year dividend payout of 30 sen per share less 28% tax, unchanged from the previous year.

The first two units representing 1,400 MW of Malakoff's 2,100 MW Tanjung Bin power plant achieved commercial operations on 28 September 2006 and 28 February 2007 respectively, as scheduled. Upon the completion of the third and final unit scheduled in August, the Tanjung Bin power plant will be the largest privatised coal-fired power plant in Malaysia and the company's effective generation capacity will have increased from 4,390 MW currently to over 5,000 MW, representing a quarter of the generation capacity in Peninsular Malaysia. Malakoff's performance is expected to improve this year with the contribution from the Tanjung Bin power plant and improved performance of the Prai power plant.

Malakoff's expansion overseas, which started in a significant way in 2003, has achieved considerable success. In 2005, the company secured equity interest in the RM9 billion Shuaibah independent water and power project in Saudi Arabia, together with other consortium partners. When completed in December 2008, this plant will supply 900 MW of power and 880,000 m³/day of desalinated water to cities in the western province on the Red Sea coast. Building on that footprint, the company secured an award to develop, construct and operate a seawater desalination plant in Algeria, in partnership with a subsidiary of Hyflux of Singapore. Once completed in 2009, the plant will supply 200,000 m³/day of desalinated water to L'Algerienne Des Daux under a 25-year concession. In November 2006, Malakoff together with other consortium partners acquired an interest in the Dhofar Power Company in Oman, which holds a 20-year concession for the privatisation of the Salalah Power System on a build, operate and transfer basis. These projects provide Malakoff an excellent platform for future expansion in the West Asian region and beyond. In time, revenues from these international projects will contribute significantly to the company's total revenues.

Gas Malaysia



natural gas distribution

Gas Malaysia's revenue surged by 32% to RM1.2 billion, driven by a sharp increase in sales volume, attributed by 117 new industrial customers. Profit before tax increased by 41% to RM244 million, mainly due to higher sales.

The company added 185 km of new pipelines to its network last year, and operated 1,444 km of pipelines as at the end of 2006, supplying over 30,000 industrial, commercial and household customers throughout Peninsular Malaysia. Petronas is currently unable to supply the natural gas required due to the limited allocation of gas to the non-power sector. Pending the resolution of this supply issue with Petronas, the company may not show any

significant growth this year. In the meantime, Gas Malaysia is strengthening the reliability of its gas supply by constructing looping systems in areas where continuous supply is critical. The company is expected to continue to expand rapidly once the issue relating to the gas supply is resolved.

During the year under review, Gas Malaysia obtained the approval of the Ministry of Finance for qualifying capital expenditure incurred from 1 January 2004 for the company's pipeline expansion project in the form of an investment tax allowance. This will give rise to a potential recovery of overpayment of tax in 2006 and prior years. The tax incentive resulted in a RM2.6 million debit balance for tax, and a net profit of RM246 million, double the net profit recorded in the previous year.

design engineering in oil & gas

MMC Oil & Gas Engineering Sdn Bhd ("MMC Oil & Gas") achieved a 36% increase in profit before tax of RM4.3 million despite recording a 21% decrease in revenue of RM49 million mainly attributable to improved margins earned from design engineering works.

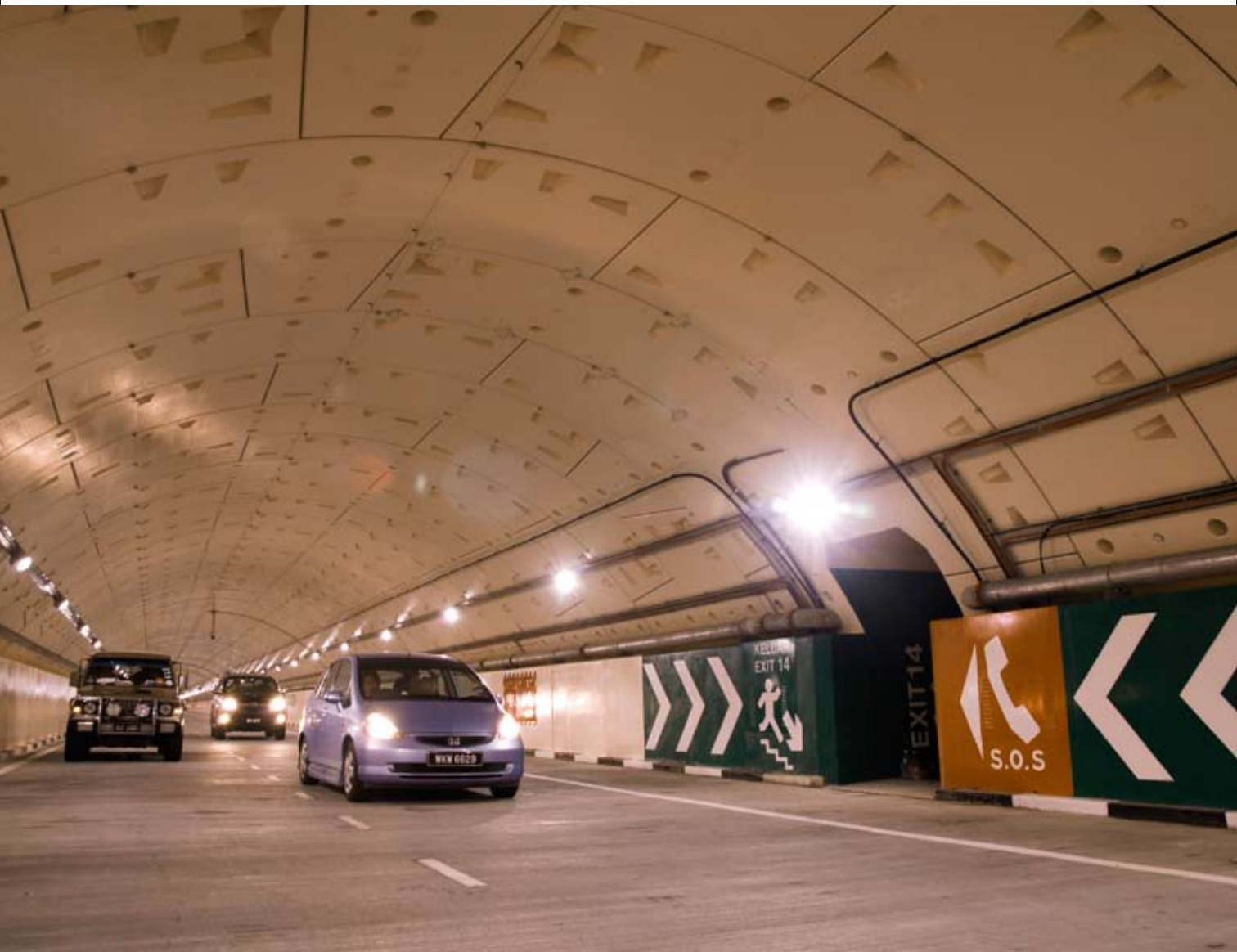
MMC Oil & Gas continued its expansion drive into new global markets and early this year led a consortium that secured a US\$48.2 million contract to undertake Phase 1 of the EPCC works for the Jabung gas booster compressor station project in Indonesia. This project not only affirms the company's ability to secure major international projects, but also underscores the company's position as an emerging player for EPCC works. The company continues to leverage on its track record of over 20 years as well as its experience working with major clients such as Shell, Exxonmobil, Petronas, Talisman and Murphy Oil, to secure more EPCC projects locally and abroad.

steel fabrication

Tepat Teknik Sdn Bhd ("Tepat Teknik") posted a higher revenue of RM186 million, compared to RM58 million recorded during the previous year, reflecting an increase in orders received. The company also turned around and recorded a profit before tax of RM1.8 million compared to a loss before tax of RM2.8 million during the previous year due to improving margins. The company ended the year with an order book of RM300 million comprising projects in the power generation, oil & gas and petrochemicals sectors.

The environment for the fabrication industry remains challenging in the face of escalating prices of raw materials and increasing competition. The company is focusing on extending its fabrication business into the areas of on-shore and off-shore construction and erection works, including operations and maintenance services in the oil & gas industry, as the main thrust for this year.

engineering & construction



Zelan

Revenue
(RM million)



PBT
(RM million)



* results for nine-month period ended 31 October

power plant and infrastructure

Zelan Berhad ("Zelan") reported a profit before tax of RM94 million for the nine-month period ended 31 October 2006, an increase of 20% compared to the corresponding period in the previous year. This is mainly attributable to the improved performance from its associate company, IJM Corporation Berhad ("IJM"), and a gain on disposal of investments of RM3 million.

From its role as a subcontractor previously, Zelan Construction, Zelan's wholly-owned subsidiary, is moving up the value chain to become a main contractor for power plant projects, allowing the company to enjoy higher margins. Last year the company achieved considerable success in its overseas ventures, particularly in the Middle East and Asia. In Saudi Arabia, Zelan Construction secured the US\$1 billion Shuqaiq 2 integrated water desalination and power plant project, together with other consortium members. The company also won the RM1.3 billion Al Reem Island development project in Abu Dhabi, together with three other Malaysian companies. In Dubai, the company secured the main contract works for the construction of Sidra Tower for RM308 million. A consortium led by the company

also clinched a RM2 billion EPCC contract to build two 300 MW coal-fired power plants in Rembang, Indonesia. This project will provide the company with a strong footing to secure future power plant projects in Indonesia, which are expected to come on stream to serve the country's growing power needs.

IJM recorded a profit before tax of RM246 million for the nine-month period ended 30 December 2006, an increase of 15% over the corresponding period in the previous year, mainly attributable to higher profits from its construction, industries and plantations divisions. Given its strong order book in these divisions and the trend of increasing crude palm oil prices favourable for the plantations division, IJM is expected to record a better operating performance this year.

Last October, IJM announced its intention to acquire the businesses of Road Builder (M) Holdings Berhad. This exercise would result in a dilution of Zelan's stake in IJM, assuming all outstanding options under the employees' share option scheme and warrants are exercised coupled with full acceptance of the voluntary general offer. This exercise is expected to be completed by the middle of this year.

engineering services & construction

MMC Engineering & Construction faced a challenging year in 2006, recording a flat revenue of RM307 million, mainly attributable by the SMART project. Profit before tax dropped to RM3.7 million, principally due to thinning margins as well as a revision in the profit for the SMART project arising from additional works carried out and an increase in the price of materials.

The motorway section of the SMART project is already completed and is scheduled to be open to motorists by end-April. With the scheduled completion of the entire SMART project in June, this unit is poised to secure other major turnkey 'design & build' and EPCC contracts, particularly in the oil & gas sector.

This unit is pursuing opportunities under the Ninth Malaysia Plan to increase its order book. One of the projects being actively pursued is the northern section of the double tracking railway project, which involves building a 329-kilometre electrified railway line and upgrading the existing railway line from Ipoh to Padang Besar. The implementation of this project will raise the quality of the country's rail transportation system and bring it up to par with our existing infrastructure for road and air travel.

The MMC Group's active involvement in overseas projects also creates opportunities for this unit to participate in major infrastructure works. With its track record of over 20 years, this unit is expected to secure more projects, locally and abroad.



prospects

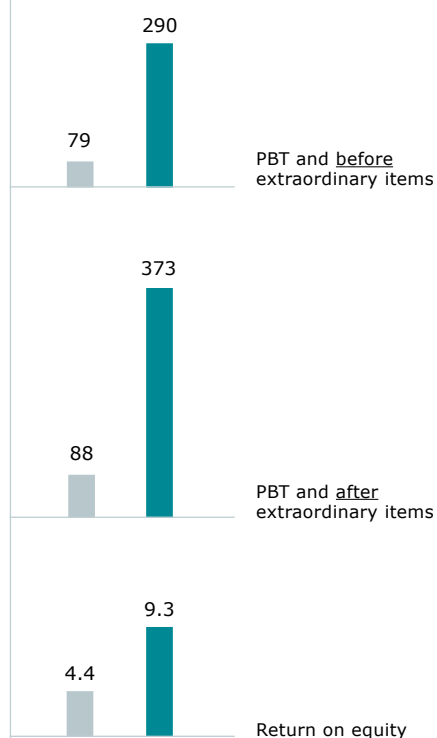
We will continue to pursue our growth agenda and build on the foundation that has been laid. Our acquisition of Malakoff's businesses will make MMC the largest independent power producer in the country and significantly improve the contribution of our Energy & Utilities division to the Group this year and beyond. Our two ports in Johor are strategically positioned to take advantage of growing world trade as well as the expected increase in hinterland cargo as a result of the establishment of the IDR. Our Engineering & Construction division will provide infrastructure support to our core businesses and pursue opportunities primarily in the oil & gas sector as well as projects under the Ninth Malaysian Plan. Our success in securing the US\$30 billion "Jazan Economic City" project positions us as an emerging global utilities and infrastructure Group and opens up exciting possibilities for our businesses in the international scene.

The strategies that we have put in place over the years have shown positive results and opened a new era for the Group. We will continue to direct our resources and our investments to where they can produce superior shareholder returns and I look forward to the support of our stakeholders as we continue to grow the business for the benefit of our shareholders.

Feizal Ali
Group Chief Executive
April 2007

Historical Performance (RM million)

■ 10-year average (1991-2000)
■ 7-year average (2001-2006)





board of directors

4th from left

Dato' Wira Syed Abdul
Jabbar bin Syed Hassan
Chairman

3rd from left

Encik Feizal Ali
Group Chief Executive

from left

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

Encik Halim Haji Din

Dato' Abdullah
bin Mohd. Yusof

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

Datuk Mohd
Sidik Shaik Osman

profile of directors

Dato' Wira Syed Abdul Jabbar bin Syed Hassan

Chairman

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, 68, was appointed non-independent Chairman of the Company on 7 July 2000. Dato' Wira Syed Abdul Jabbar also chairs the Nomination, Remuneration and Executive Committees of the board.

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

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

Encik Feizal Ali

Group Chief Executive

Encik Feizal Ali, 45, was appointed to the board on 24 March 2004 and is 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 before assuming the role of acting Group Chief Executive of MMC and in September 2006 was appointed as the Group Chief Executive. 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 is a board member of Malakoff Berhad, Zelan Berhad, MMC Engineering Group Berhad, Johor Port Berhad, Nucleus Avenue (M) Berhad and IJM Corporation Berhad.

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

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

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob, 66, joined the board on 26 August 1999 as a non-independent director and is a member of the Remuneration Committee 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, Sime UEP Properties Berhad, Northport Corporation Berhad and Bank of America Malaysia Berhad.

Dato' Abdullah bin Mohd. Yusof

Senior Independent Director

Dato' Abdullah bin Mohd. Yusof, 68, joined the board on 31 October 2001 as an independent director. He is also 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 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.

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

Independent Director

Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin, 64, was appointed to the board on 1 August 2002 and is an independent director. He is also a member of the Audit and Nomination Committees of the board.

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

Datuk Ir. (Dr.) Haji Ahmad Zaidee is a board member of Edaran Otomobil Nasional Berhad and MMC Engineering Group Berhad, and currently serves as Chairman of the Intellectual Property Corporation of Malaysia.

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

Encik Halim Haji Din

Independent Director

Encik Halim Haji Din, 60 was appointed to the board as an independent director on 10 September 2002. He is also the Chairman of the Audit Committee of the board.

Encik Halim is a Chartered Accountant who spent more than 30 years working for multinational corporations and international consulting firms. He accumulated 18 years of experience working in the oil and gas industry - 6 years as a board member of Caltex/Chevron - before engaging in the consulting business. He was the Managing Partner of the Consulting Division of Ernst & Young Malaysia and 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 re-branded it as Innovation Associates where he is currently the Group Managing Director. His directorships in other public companies include Wah Seong Corporation Berhad, Boustead Properties Berhad and KrisAssets Holdings Berhad.

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

Datuk Mohd Sidik Shaik Osman

Datuk Mohd Sidik Shaik Osman, 58, was appointed to the board as a non-independent director on 23 January 2003 and is a member of the Remuneration and Executive Committees of the board.

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.

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



management team

centre (seated)

Feizal Ali

Group Chief Executive

left (seated)

Hasni Harun

Group Chief Operating Officer

right (seated)

Yoong Nim Chee

Director, Corporate Affairs

from left (back row)

Mabel Lee Khuan Eoi

General Manager, Corporate Planning

Mohamed Sophie Rashidi

General Manager, Finance

Azlan Shahrim

General Manager, Corporate Services

Elina Mohamed

Group Legal Adviser



audit committee report

Meetings

Meetings are scheduled at least four times a year, and will normally be attended by the Group Chief Executive, Group Chief Operating Officer, internal auditor and upon invitation, the external auditors and internal audit consultants. Other board members may also attend meetings upon the invitation of the Audit Committee. At least once a year, the Audit Committee shall meet with the external auditors in the absence of management. The Auditors, both internal and external, may request a meeting if they consider that one is necessary.

The Company Secretary acts as secretary to the Audit Committee. Minutes of each meeting are distributed to each board member and the Chairman of the Audit Committee reports key matters discussed at each meeting to the board. The Audit Committee had five meetings during the last financial year and the external auditors attended all five meetings. The internal audit consultants, Ernst & Young, tables to the Audit Committee operational audit reports which they carry 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.

Dato' Abdullah bin
Mohd. Yusof
Independent Director



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



Duties and Terms of Reference

- i Consider the appointment of external and internal auditors, audit fees and any questions on resignations or dismissals, and inquire into staffing and competence of the external and internal auditors in performing their work.
- ii Discuss the nature and scope of the audit in general and any significant problems that may be foreseen with the external and internal auditors before the audit commences and ensure that adequate tests to verify the accounts and procedures of the Group are performed.
- iii Discuss the impact of any changes in accounting principles or standards on financial statements.
- iv Review the results of the operational audit reports and monitor the implementation of any recommendations made therein.
- v Review the quarterly results and annual financial statements before submission to the board, focusing particularly on:
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumptions;
 - compliance with accounting standards; and
 - compliance with regulatory requirements.
- vi Discuss problems and reservations arising from the interim and final audits, and any other matters the external auditors may wish to discuss (in the absence of management, where necessary).
- vii Ensure that the Internal Audit function is adequately resourced and has appropriate standing within the Company, which includes reviewing the remuneration of the internal auditor.

- viii Review the internal audit programme, consider the major findings of Internal Audit investigations and management's response and ensure coordination between the internal and external auditors.
- ix Keep under review the effectiveness of internal control systems and, in particular, review the external auditor's management letter and management's response.
- x Review any related party transactions within the Group to ensure that they are carried out at arm's length.
- xi Carry out such other assignments as required by the board.
- xii Report promptly to Bursa Securities on any matters reported by Bursa Securities to the board of directors which have not been satisfactorily resolved, resulting in a breach of the Listing Requirements.
- xiii Review audit reports of subsidiaries after they have been reviewed by the Audit Committee or board of directors of those subsidiaries.
- xiv Review arrangements established by management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group's operations.

Internal Audit Function

The internal audit function is carried out by Ernst & Young, to whom the function has been outsourced 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.

Internal Audit Activities

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

- Examine the controls over all significant Group operations and systems to ascertain whether they provide reasonable assurance that the Group's objectives and goals will be met efficiently and economically;

- Prepare the annual audit plan for deliberation by the Audit Committee;
- Act on suggestions made by external auditors and/or senior management on concerns over operations or control;
- Carry out operational audits and make recommendations for improvement, where weaknesses exist; and
- Report on whether corrective actions have been taken and are achieving the desired results.

Summary of Activities

The main activities performed by the Audit Committee during the financial year ended 31 December 2006 were as follows:

- Reviewed and approved the Internal Audit Plan for the period from 2007 to 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 Gas Malaysia Sdn Bhd's Audit Committee meetings.
- Reviewed the minutes of Pelabuhan Tanjung Pelepas Sdn Bhd's Audit Committee meetings.
- Reviewed the minutes of Johor Port Berhad's Audit Committee meetings.
- Reviewed the audit strategy and scope for statutory audits of the Group accounts with the external auditors.
- Reviewed the unaudited quarterly financial statements and the audited accounts of the Company and the Group and recommended the same to the board.
- Reviewed the findings of the external auditors and followed up on the recommendations.

- Reviewed the performance/ operations audit of subsidiaries and made appropriate recommendations.
- Reviewed and appraised the adequacy and effectiveness of management response in resolving the audit issues reported.
- Held discussions with the external auditors without the presence of 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 actions are taken and audit recommendations are implemented.

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

- Reviewed other related party transactions to ensure that they are fair and reasonable and are not to the detriment of minority shareholders.
- The Annual Report for the period ended 31 December 2005 in respect of the following:
 - Audit Committee Report;
 - Corporate Governance Statement;
 - Statement on Internal Control; and
 - Risk Management Report
- Reviewed and recommended actions on minor internal investigations.
- Performance review of the Internal Audit Outsourcing Provider and consider their re-appointment for the financial years 2007 to 2009.

Employees' Share Option Scheme

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

statement on corporate governance

Sound principles of corporate governance are critical to achieving the Company's goal of performance with integrity and obtaining and retaining the trust of investors and other stakeholders.

The maintenance of effective corporate governance is therefore a key priority for the board. The manner in which the Company has applied the principles and best practices of the Malaysian Code on Corporate Governance ("the Code") is set out below.

Directors

The board

The Company is controlled and led by a board of directors which is responsible to the shareholders for the management of the Company. The board is responsible for the Company's overall strategy and objectives, its acquisition and divestment policies, major capital expenditure and the consideration of significant financial matters. It monitors the exposure to key business risks and reviews the direction of individual business units, their annual budgets, and their progress in relation to these budgets. A total of eight board meetings were held in 2006. All directors attended more than half of these meetings in compliance with the Listing Requirements.

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

To facilitate the discharge of the board's stewardship responsibilities, the board has since 2002 adopted the six specific responsibilities as prescribed by the Code.

Board Balance

The board is structured so that at least one third consists of independent directors with expertise and skills from various fields. Three out of seven board members are independent directors who are able to bring an independent judgment to bear on issues of strategy, performance and resources of the MMC Group. Overall the board comprises a good mix of members with the necessary skills and experience that are relevant to and support the growth of MMC's businesses.

The interests of major shareholders are fairly reflected by the representation of their nominees on the board. To further promote the active participation of board members, the Chairman encourages healthy debate on important issues. The board has also appointed Dato' Abdullah bin Mohd. Yusof as its Senior Independent Director, to whom concerns of fellow members may be conveyed.

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

Supply of Information

The board has a formal schedule of matters reserved specifically for its decision. It meets at least five times a year, and as and when necessary for any matters arising between regular board meetings. The board is supplied with information in a timely manner and appropriate quality to enable them to discharge their duties effectively and due notice is given to directors with regard to issues to be discussed. Resolutions are recorded and circulated to directors for comments before minutes of proceedings are confirmed.

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

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. This committee is also responsible for assessing the effectiveness of the board, its committees and individual directors on an on-going basis. There were no appointments to the board in 2006. The board, through the Nomination Committee, continuously reviews its size and composition with a view to determining the impact of these factors upon its effectiveness.



Board members visited the waste management and recycling centre of Recycle Energy on 15 March



Members of the board visited Johor Port on 4 July

DIRECTORS' TRAINING

All directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. Last year, the directors attended two training programmes entitled "An issuer's perspective on debt and financial management" organised by Rating Agency Malaysia Berhad and "Implementing investor relations strategies for company directors and senior management" organised by Busatra Sdn Bhd. In addition, they also attended the Global Leadership Forum 2006.

In order for the directors to have a better perspective and understanding of the Group's operations, they also made site visits to Johor Port Berhad in Pasir Gudang and Recycle Energy Sdn Bhd's waste management plant in Semenyih.

Re-election

In accordance with the Company's Articles of Association, all directors are required to retire from office once every three years, but shall be eligible for re-election. This affords shareholders the opportunity to review the directors' performance and also promotes effective boards.

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The board, through its Remuneration Committee, annually reviews the performance of the executive director as a prelude to determining his annual remuneration, bonus and other benefits. The board also, as a whole, reviews the level of remuneration to ensure that it is sufficient to attract and retain the directors needed to run the Company successfully. The level of remuneration also needs to reflect the experience and level of responsibilities undertaken by the directors.

Procedure

The Remuneration Committee recommends to the board, the compensation and benefits of the executive director. In discharging this duty, the Remuneration Committee evaluates the executive director's performance against the objectives set by the board, thereby linking his remuneration to performance. The determination of remuneration of non-executive directors is a matter for the board as a whole, and the remuneration is reviewed from time to time to ensure that it is aligned 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 (RM)	Fees (RM)	Salaries (RM)	Meeting & other allowances (RM)	Benefits in kind (RM)
Executive Directors	-	1,348,925	192,905	76,063
Non-Executive Directors	451,554	-	194,000	31,600

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

Amount of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
Less than RM50,000	-	3
RM50,000 to RM100,000	-	5
RM750,000 to RM800,000	1	-
RM800,000 to RM850,000	1*	-

* Resigned as an executive director effective 31 March 2006

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

SHAREHOLDERS

Dialogue between the Company and Investors

The Company continued to meet with research analysts, fund managers and investors, from both the local and international investment community, to provide updates on the latest developments within the Group and answer their queries.

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 daily to incorporate the latest news about MMC.





Active participation by shareholders at the AGM



The AGM

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

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 the financial statements of the Company for the financial year ended 31 December 2006, the directors have:

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

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

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 the 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 established four standing committees, each operating within defined terms of reference, to assist the board in discharging its responsibilities, as set out below. 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 commendations to the board for its approval.

The Audit Committee comprises three independent directors and is chaired by Encik Halim Haji Din. The committee meets routinely four times a year with additional meetings held where necessary. The Group Chief Executive, the Group Chief Operating Officer and the internal and external auditors attend such meetings by invitation and provide the reports required by the committee. At least one meeting is held each year with the external auditors in private, in the absence of management. The Audit Committee report appears on pages 30 to 33 of this annual report.

The Executive Committee comprises one executive director and two non-executive directors. The committee is responsible for strategic and operational plans which fall within their level of authority. Meetings are scheduled four times a year in between board meetings. This will allow matters that fall within the committee's terms of reference to be deliberated and decided by the committee, thus reducing the board's

agenda. During the year, the committee reviewed the terms and conditions of service for employees, with the aid of consultants, with the aim of developing a motivating compensation policy. The committee also proposed to the board new compensation packages for expatriates to be posted abroad.

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. During the year, the committee reviewed the size and composition of the board to determine the impact of these factors upon its effectiveness and recommended to the board that the number of directors be reduced from nine members to seven members.

Additionally, the committee oversees and evaluates the board's effectiveness and suggests opportunities for improvement. The committee solicits comments from each board member, via a prescribed evaluation form, on how the board, the board's committees and each individual director's performance can be improved. Comments are treated in strict confidence and are addressed directly to the Chairman of the board, who is also the Chairman of the Nomination Committee.

The Remuneration Committee comprises three non-executive directors and considers the remuneration of the executive director. The committee meets at least once a year to discuss the executive director's current year performance against the performance objectives approved by the board earlier in the year. Once the executive director's performance is evaluated and compensation determined, the committee considers the Group's proposed bonus and increment for the year and makes the necessary recommendations to the board concerning the appropriate compensation for the Company's officers.

The committee also reviewed the non-executive director's remuneration comparing them to compensation at peer companies and recommended a review of the terms to the board for its approval.

Board and Committee Attendance

Set out below is the attendance record of the board members for the board and committee meetings for the period between 1 January 2006 and 31 December 2006:

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

Notes:

- * Number of meetings attended until 31 March 2006, the date he ceased to be a director.
- @ Number of meetings attended until 31 August 2006, the date he ceased to be a director.
- # Number of meetings attended until 31 August 2006, the date he ceased to be a 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 three associate companies, Malakoff Berhad, 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 comply with this reporting requirement in their own right.

Group Risk Management Framework

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

Risk Assessment Tool System

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

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

Business Continuity Plan

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

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

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

Other Key Elements of Internal Control

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

- Clearly defined delegation of responsibilities to board committees and to the management of head office and companies in the Group, including financial authority limits.
- Where appropriate, certain companies have ISO 9001: 2000 and ISO 14001 accreditations for their operational processes.
- Review of proposals for material capital and investment acquisitions by the Executive Committee before review and approval by the board.
- Budgeting process where companies prepare budgets every year, which are approved at company level, are reviewed by the Executive Committee and/or the board.
- Monthly Performance Reports, benchmarked against budgets and objectives, are regularly provided to directors and discussed at the Executive Committee and/or board meetings.
- Monitoring of performance, including discussion of any significant issues at regular meetings with heads of business units.
- Board representation in companies in which we have a material interest, to facilitate the performance review of these companies.

- Periodic reviews by the internal auditor, providing an independent assurance on the effectiveness of the Group's system on internal control and advising management on areas for further improvement.
- The Audit Committee, on behalf of the board, considers the effectiveness of the operation of the Group's internal control procedures.
- The Risk Management Framework of the Group is in place together with RATS to assist in the Group's risk management process.
- The implementation of an Enterprise Resource Planning System ("ERP") for the Group has also increased the quality of controls over the general operations of the Company. It will further assist in ensuring that work processes are more efficient and timely.

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

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

Code of Ethics

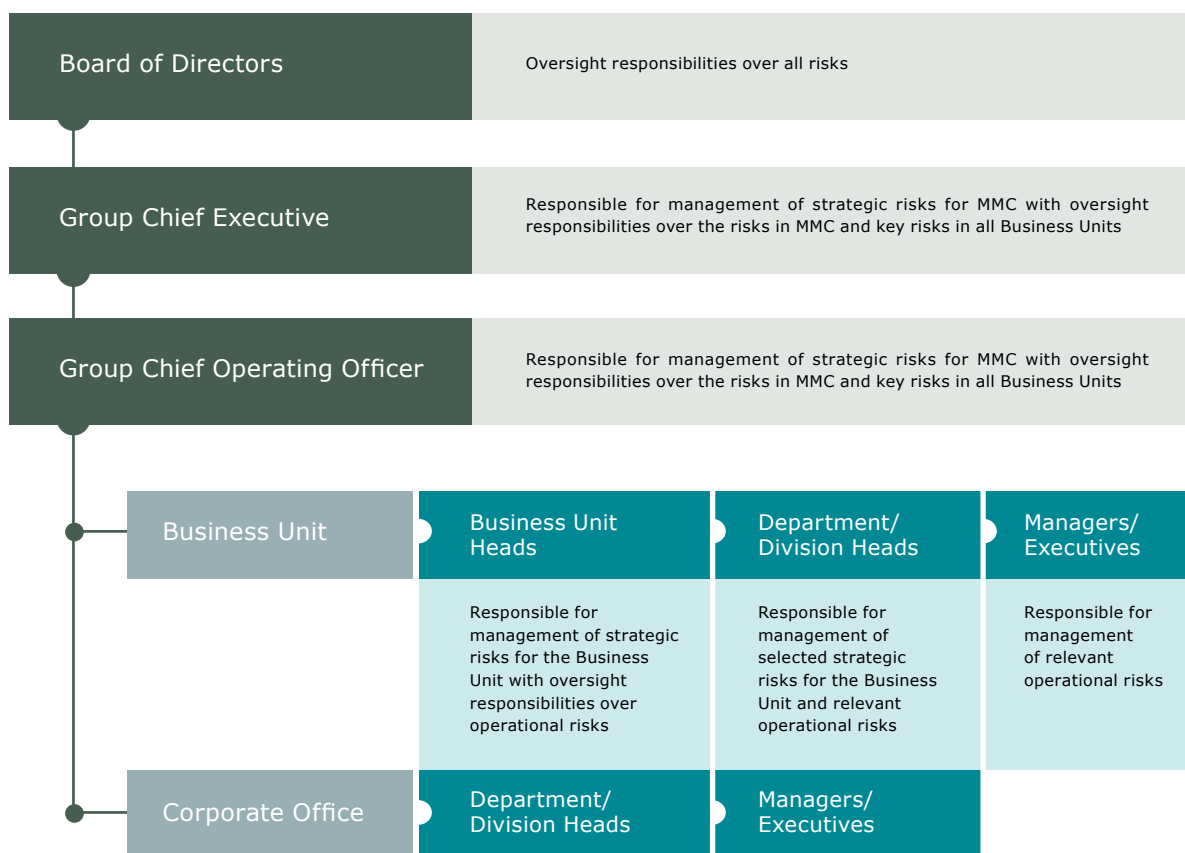
We are committed to deliver the best in everything we do, and the Code helps us achieve the right things in a right manner at all times. Each employee knows exactly what is expected of them, not only in their deliverables but also the way in which they should achieve those deliverables.

We emphasise a well-rounded development of our employees and the Code assists us in achieving that objective.

risk management report

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

Structure and Roles

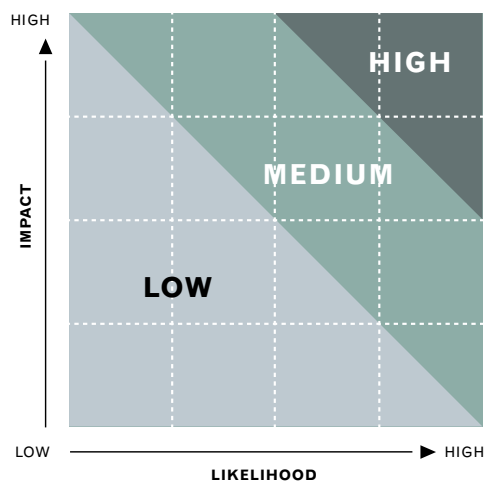


Group Risk Management Policy

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

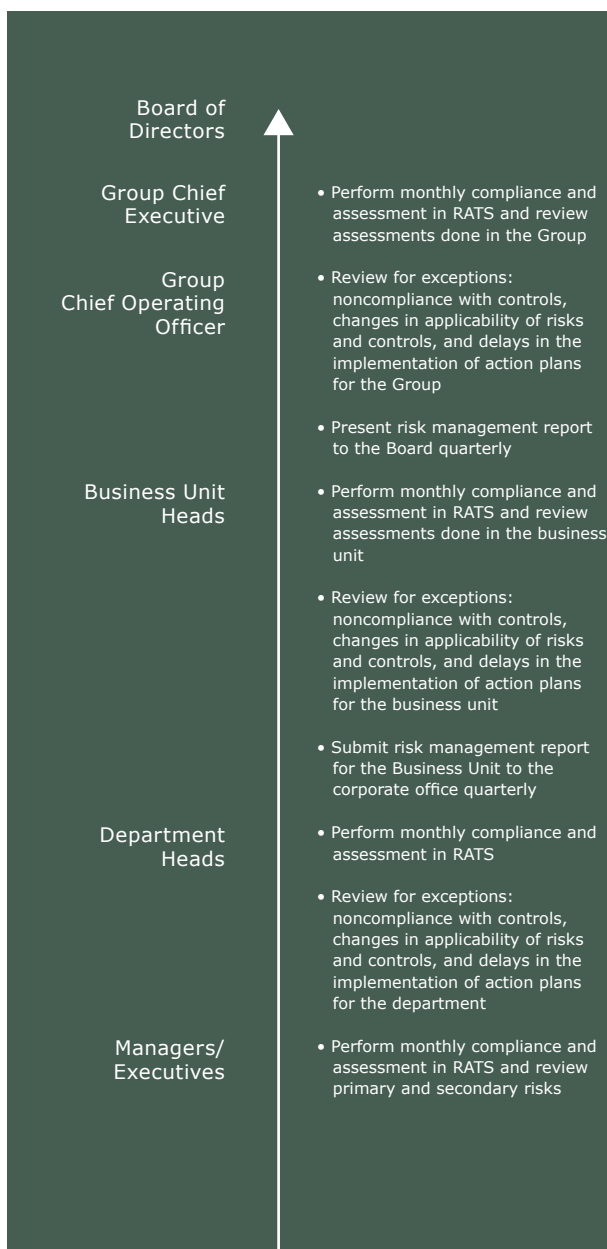
Risk Identification Process and Analysis

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



Monitoring and Report Process

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



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 interest in contracts entered into by the Company.

Convictions for Offences

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

Utilisation of Proceeds

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

Share Buybacks

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

Options, Warrants or Convertible Securities

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 and/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 RM774,000.

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 between 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:

Joint Land Development Agreement between MMC Frigstad Offshore Sdn Bhd ("MMCFO") and Exquisite Skyline Sdn Bhd ("ESSB") dated 25 August 2006.

corporate information

MMCFO, a wholly-owned subsidiary of MMC Corporation Berhad ("MMC"), had on 25 August 2006 entered into a Joint Land Development Agreement ("Development Agreement") with ESSB, a subsidiary of United Malayan Land Berhad ("UM Land"), for the development of a piece of land held under HS (D) 98859, PT21, measuring approximately 6,070 square metres in the Town and District of Kuala Lumpur ("Raja Chulan Land").

Under the Development Agreement, MMCFO will grant to and vest in ESSB the full and exclusive rights, power and authority to undertake and manage the development on Raja Chulan Land for a consideration of 50% of the development profits before tax and before land cost or RM20,000,000, whichever is higher.

At the material time, Tan Sri Syed Mokhtar Shah bin Syed Nor was a major shareholder of MMC and UM Land.

Contracts Relating to Loan

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

Revaluation of Landed properties

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

Company secretaries

Azlan bin Shahrim
Sazlin Ayesha bt 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
Tel 603 2721 2222
Fax 603 2721 2530

Principal banker

CIMB Bank Berhad

Stock exchange listing

Main Board
Bursa Malaysia Securities Berhad

corporate social responsibility report

We have long recognised that part of being a good corporate citizen is being socially responsible. While the main focus of business is to improve profitability, we want to produce sustainable profits while making a meaningful contribution to society.

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

Social & Humanitarian

- ▶ In response to the recent floods in Johor, we initiated an effort to send supplies directly to flood victims in remote villages there. Our own employees volunteered for these relief efforts to reach out directly to those in need.





- ▶ We contributed towards “Dana Kemanusiaan Mangsa Perang Asia Barat”, a relief fund in aid of war victims in West Asia. We also contributed towards a relief fund for victims of the devastating earthquake that hit the province of Yogyakarta in May 2006. Measuring 6.2 on the Richter scale, the earthquake claimed more than one thousand lives, injured thousands others, and caused severe damage to public infrastructure and homes.

▶ Environment

Our concern for the environment is echoed in our investment in the waste management and recycling business. We contribute to a better environment by recycling solid municipal waste through our subsidiary, Recycle Energy Sdn Bhd. Non-recyclable waste will be converted into electricity and exported to the national grid, thus reducing the amount of waste sent to landfills.

▶ Youth & Education

MMC was the Event Sponsor for the Global Leadership Forum 2006, a world-class event that featured distinguished guest speakers and captains of industry who shared their views, thoughts and ideas on leadership and business issues. This annual event is fast being recognised as a platform for intellectual and scholastic discourse and we are proud to have played a role in it.



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

highlights of the year

20 April

MMC in Minggu Saham Amanah Malaysia 2006

MMC participated in MSAM 2006 in Kuala Terengganu, an annual event organised by Permodalan Nasional Berhad to encourage investments in unit trusts among members of the public.



22 April

Final breakthrough for Gemilang

Gemilang, one of SMART's two tunnel boring machines, made its second and final breakthrough at Taman Desa after drilling 3.9 km from the North Ventilation Shaft at Padang JKR.



MMC announces Malaysia's largest leveraged buy-out

17 May

MMC announces its plan to acquire Malakoff's businesses for RM9.3 billion. The acquisition will turn MMC into the largest independent power producer in Malaysia and is an important step in the company's journey towards achieving its vision of becoming a premier Utilities & Infrastructure Group.



Malakoff is the largest independent power producer in the country with interests in six power plants strategically located throughout Peninsular Malaysia

PTP wins APM Terminals Productivity Award



15 June



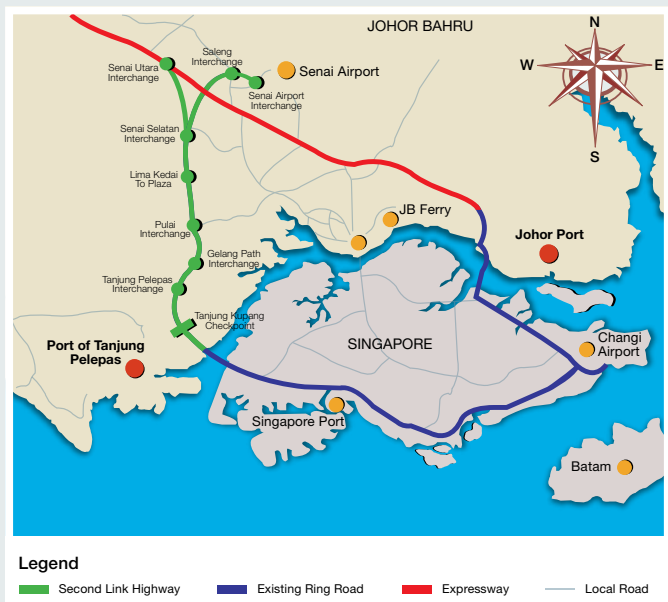
Pelabuhan Tanjung Pelepas ("PTP") received the "Highest Berth Productivity 2005 Award" at the APM Terminals Awards ceremony held in Shanghai in June 2006. The award was in recognition of PTP's overall average berth productivity of 102.4 moves per hour in 2005, the highest among all 37 of APM Terminals' ports and affiliated ports worldwide.

PTP was also recognised as the "Best Terminal for 2005" by Maersk Line, the world's biggest shipping line operator. This annual award is given to the port with the highest level of productivity and efficiency provided to Maersk Line vessels worldwide. Maersk Line also owns the world's largest container vessel, Emma Maersk, which made her maiden call at PTP on 23 October 2006.



4 July

MMC completed the acquisition of the entire stake in Johor Port Berhad, giving it control over both ports in South Johor. Johor Port started operations in 1977 and is today Malaysia's leading multi-purpose port, handling both containerised and bulk cargo. Nestled within the Pasir Gudang industrial estate, Johor Port provides efficient, integrated and complete port facilities to some of the region's largest shipping lanes.





30 July

Running for a Good Cause

MMC took part in the Malakoff Duathlon Charity Race 2006 which was held at Dataran Merdeka, Putrajaya. Teams from MMC participated in the Corporate Team relay category which comprised a 10km run – 50km cycle – 5km run in a full duathlon course around Putrajaya.

23 August

KLBK's Wave the Jalur Gemilang Campaign

KLBK distributed 3,600 mini Jalur Gemilang flags to five schools in Seberang Prai, to help instill the Merdeka spirit among school children.



16-19 September

MMC in PNB's Investment Expo

MMC participated in PNB's Investment Expo in Pekan, Pahang, which was organised to educate the public on unit trust investments.

29 September

MMC continues disposal of non-core assets

MMC disposed its remaining 30% stake in Malaysia Smelting Corporation Berhad to subsidiaries of Straits Trading Company Limited for RM106.8 million thereby reducing its portfolio of non-core assets.



5 November

MMC awarded rights to develop US\$30 billion "Jazan Economic City" in Saudi Arabia

MMC announced that it has been awarded the rights to develop and manage the new "Jazan Economic City" in the Kingdom of Saudi Arabia together with the Saudi Binladin Group. MMC received the award from the Saudi Arabian General Investment Authority at the launching of the project by Saudi Arabia's King Abdullah bin Abdulaziz Al Saud.



2 April 2007

SMART celebrates final breakthrough

Tuah, SMART's north-bound tunnel boring machine, broke through at Kampung Berembang after boring through 5.36 km under the streets of Kuala Lumpur. With the completion of tunnelling works at both ends of the alignment, the tunnel is targeted to be fully operational by June 2007 as scheduled.

financial statements

57	directors' report
61	statement by directors
61	statutory declaration
62	report of the auditors
63	income statements
64	balance sheets
66	consolidated statement of changes in equity
68	company statement of changes in equity
70	cash flow statements
74	summary of significant accounting policies
89	notes to the financial statements

directors' report

for the financial year ended 31 December 2006

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 2006.

Principal activities

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

The principal activities of the Group consist of investment holding, construction, supply and distribution of natural and liquefied gas, manufacturing, civil and specialised engineering, construction and operation of privatised highway, port operations, fabrication, property and mine management, erection of power transmission lines, power generation, design and construction of public light rail system, conversion of municipal solid waste to energy, asset management, operations and maintenance services and natural gas separation works.

There is no significant change in the nature of these activities during the financial year, except for the Group's involvement in logistics services following the acquisition of Johor Port Berhad.

Financial results

	Group	Company
	RM'000	RM'000
Profit for the year	568,663	117,573
Attributable to:		
Equity holders of the Company	390,024	117,573
Minority interest	178,639	-
	568,663	117,573

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 2005 were as follows:

	RM'000
In respect of the financial year ended 31 December 2005, as shown in the Directors' report of that financial year, a final gross dividend of 5 sen per share, less 28% income tax and a special dividend of 1 sen per share, less 28% income tax on 1,522,529,276 ordinary shares, paid on 8 June 2006	65,774

The Directors recommend the payment of a final gross dividend of 9 sen per share comprising 8 sen per share, less 27% income tax and 1 sen per share, tax exempt on 1,522,529,276 ordinary shares amounting to RM104,141,002 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 11 June 2007 to shareholders registered on the Company's Register of Members at the close of business on 22 May 2007.

Directors

The Directors who have held office during the year 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
Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin
Encik Halim Haji Din
Datuk Mohd Sidik Shaik Osman
Tan Sri Dato' Thong Yaw Hong (resigned on 31 August 2006)
Dato' Hilmi bin Mohd. Noor (resigned on 31 August 2006)
Dato' Ismail Shahudin (resigned on 31 March 2006)

In accordance with Article 78 of the Company's Articles of Association, Dato' Abdullah bin Mohd. Yusof and Encik Feizal Ali retire by rotation and, being eligible, offer themselves for re-election.

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(iii) to the financial statements and professional fees charged by company's related to a Director as disclosed in Note 42 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 1.1.2006	Bought	Sold	At 31.12.2006
Dato' Wira Syed Abdul Jabbar bin Syed Hassan*	3,000	-	-	3,000
Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin**	6,000	-	-	6,000

* Deemed interested through the shares held by his son

** Deemed interested through the shares held by the spouse

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

Statutory information on the financial statements

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

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

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

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

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

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

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

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

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 the effects arising from the adoption of the new and revised FRS as disclosed in Note 4.
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

Ultimate holding company

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

Significant events during the financial year

Significant events during the financial year are disclosed in Note 44 to the financial statements.

Auditors

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2007.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Feizal Ali
Director

Kuala Lumpur

statement by directors

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

We, Dato' Wira Syed Abdul Jabbar bin Syed Hassan and Feizal Ali, two of the Directors of MMC Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 63 to 140 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 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia 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 27 February 2007.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Feizal Ali
Director

Kuala Lumpur

statutory declaration

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

I, Mohamed Sophie bin Mohamed Rashidi, the officer primarily responsible for the financial management of MMC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 63 to 140 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Mohamed Sophie bin Mohamed Rashidi

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

At: Kuala Lumpur

On: 27 February 2007

Before me:

COMMISSIONER FOR OATHS

report of the auditors

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

We have audited the financial statements set out on pages 63 to 140. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965, and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 December 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 43 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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

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

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Dato' Ahmad Johan bin Mohammad Raslan
(No. 1867/09/08 (J))
Partner of the firm

Kuala Lumpur
27 February 2007

income statements

for the financial year ended 31 December 2006

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	5	2,839,060	1,929,127	432,330	371,444
Cost of sales	6	(1,935,467)	(1,344,043)	(271,425)	(242,071)
Gross profit		903,593	585,084	160,905	129,373
Other operating income					
- items relating to investments		87,439	195,193	70,818	27,689
- others		52,949	43,395	7,933	9,773
Distribution costs		(2,369)	(1,811)	-	-
Administrative expenses		(309,438)	(212,439)	(32,039)	(19,032)
Other operating expenses		(60,255)	(70,959)	(15,074)	(15,636)
Finance costs	9	(201,052)	(165,452)	(59,623)	(30,426)
Share of results of:					
- associates		116,354	162,126	-	-
- jointly controlled entities		(5,881)	(210)	-	-
Profit before taxation		581,340	534,927	132,920	101,741
Tax expense:					
- Company and subsidiaries	10	(12,677)	(53,724)	(15,347)	(19,639)
Net profit for the financial year		568,663	481,203	117,573	82,102
Attributable to:					
Equity shareholders		390,024	380,888	117,573	82,102
Minority interest		178,639	100,315	-	-
		568,663	481,203	117,573	82,102
Earnings per ordinary share (sen):					
- Basic	11	25.6	31.1		
- Diluted	11	25.6	31.1		
Dividends per ordinary share (sen):					
- Proposed final	12	9.0	6.0	9.0	6.0

balance sheets

as at 31 December 2006

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	4,689,228	3,529,390	7,283	8,698
Investment properties	14	32,953	33,426	-	-
Land held for development	15	540,000	-	-	-
Investments in subsidiaries	16	-	-	4,127,320	3,294,685
Investments in associates	17	1,458,529	1,494,072	156,637	192,694
Investments in jointly controlled entities	18	146,337	105,888	-	-
Other investments	19	-	-	-	-
Amounts due from subsidiaries	20	-	-	470,971	462,216
Other asset	21	-	-	-	-
Intangible assets	22	1,723,248	1,737,733	-	-
Deferred tax assets	23	6,603	9,075	-	1,476
		8,596,898	6,909,584	4,762,211	3,959,769
CURRENT ASSETS					
Inventories	24	33,322	31,064	-	-
Non-current asset held for sale	25	2,827	192	3,000	-
Trade and other receivables	26	517,591	369,386	41,734	39,434
Tax recoverable		79,295	24,349	26,969	21,018
Amount due from holding company	27	15,780	40,780	15,780	40,780
Marketable securities	28	85,276	85,185	-	-
Deposits, bank and cash balances	29	666,415	447,509	151,430	175,304
		1,400,506	998,465	238,913	276,536
CURRENT LIABILITIES					
Borrowings	30	567,645	547,390	65,000	65,000
Trade and other payables	31	657,501	411,160	54,063	27,092
Taxation		6,195	22,632	-	-
		1,231,341	981,182	119,063	92,092
NET CURRENT ASSETS					
		169,165	17,283	119,850	184,444
		8,766,063	6,926,867	4,882,061	4,144,213

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
FINANCED BY:					
CAPITAL AND RESERVES					
Share capital	32	152,253	152,253	152,253	152,253
Reserves	33	3,993,430	3,599,507	2,748,428	2,696,629
Shareholders' funds		4,145,683	3,751,760	2,900,681	2,848,882
Minority interests		444,730	283,269	-	-
Total equity		4,590,413	4,035,029	2,900,681	2,848,882
NON-CURRENT LIABILITIES					
Amounts due to subsidiaries	20	-	-	732,834	749,328
Redeemable preference shares	34	94,046	67,000	-	-
Redeemable convertible subordinated loans	35	158,355	158,355	-	-
Borrowings	30	3,376,994	2,511,393	1,248,446	546,003
Land lease received in advance	36	178,483	-	-	-
Provision for retirement benefits	31	15,128	676	-	-
Deferred income	37	48,666	54,924	-	-
Deferred tax liabilities	23	303,978	99,490	100	-
		4,175,650	2,891,838	1,981,380	1,295,331
		8,766,063	6,926,867	4,882,061	4,144,213

consolidated statement of changes in equity

for the financial year ended 31 December 2006

	Attributable to equity holders of the Company					Distributable			Minority interest	Total equity
	Non-distributable					*Capital reserves	Retained earnings	Total		
Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	**Capital reserves RM'000	*Capital reserves RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	152,253	2,039,770	(55,809)	28,120	211,963	350,107	1,025,356	3,751,760	283,269	4,035,029
Currency translation differences	-	-	44	-	-	-	-	44	-	44
Acquisition of subsidiaries	-	-	-	-	-	-	69,629	69,629	468,261	537,890
Increase in equity interest in existing subsidiaries	-	-	-	-	-	-	-	-	(467,003)	(467,003)
Net income recognised directly to equity	-	-	44	-	-	-	69,629	69,673	1,258	70,931
Net profit for the financial year	-	-	-	-	-	-	390,024	390,024	178,639	568,663
Reclassification of bonus issue in a subsidiary	-	-	-	-	4,500	-	(4,500)	-	-	-
Dividend for financial year ended 31 December 2005	-	-	-	-	-	-	(65,774)	(65,774)	-	(65,774)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(18,436)	(18,436)
At 31 December 2006	152,253	2,039,770	(55,765)	28,120	216,463	350,107	1,414,735	4,145,683	444,730	4,590,413

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

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

Note	Attributable to equity holders of the Company						Distributable		Minority interest	Total equity
	Non-distributable						*Capital reserves	Retained earnings		
	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Revaluation reserve RM'000	**Capital reserves RM'000	*Capital reserves RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005	112,661	1,324,298	(57,722)	28,120	311,982	923,234	693,138	3,335,711	168,934	3,504,645
Currency translation differences	-	-	1,913	-	-	-	-	1,913	-	1,913
Increase in equity interest in existing subsidiary	39,592	715,472	-	-	(100,019)	(573,127)	-	81,918	22,527	104,445
Net income recognised directly to equity	39,592	715,472	1,913	-	(100,019)	(573,127)	-	83,831	22,527	106,358
Net profit for the financial year	-	-	-	-	-	-	380,888	380,888	100,315	481,203
Dividend for financial year ended 31 December 2004	-	-	-	-	-	-	(48,670)	(48,670)	-	(48,670)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(8,507)	(8,507)
At 31 December 2005	152,253	2,039,770	(55,809)	28,120	211,963	350,107	1,025,356	3,751,760	283,269	4,035,029

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

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

company statement of changes in equity

for the financial year ended 31 December 2006

		Non-distributable				Distributable		
	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	**Capital reserves RM'000	*Capital reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2006								
- as previously reported		152,253	2,039,770	(57,569)	211,963	243,074	259,391	2,848,882
- change in accounting policy	4(d)	-	-	57,569	-	-	(57,569)	-
- as restated		152,253	2,039,770	-	211,963	243,074	201,822	2,848,882
Net profit for the financial year		-	-	-	-	-	117,573	117,573
Dividend for the financial year ended 31 December 2005	12	-	-	-	-	-	(65,774)	(65,774)
At 31 December 2006		152,253	2,039,770	-	211,963	243,074	253,621	2,900,681

* - 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		
	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	**Capital reserves RM'000	*Capital reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2005								
- as previously reported		112,661	1,324,298	(61,899)	211,963	243,074	230,289	2,060,386
- change in accounting policy	4(d)	-	-	61,899	-	-	(61,899)	-
- as restated		112,661	1,324,298	-	211,963	243,074	168,390	2,060,386
Increase in equity interest in an existing subsidiary		39,592	715,472	-	-	-	-	755,064
Net income recognised directly to equity		39,592	715,472	-	-	-	-	755,064
Net profit for the financial year		-	-	-	-	-	82,102	82,102
Dividend for the financial period ended 31 December 2004		-	-	-	-	-	(48,670)	(48,670)
At 31 December 2005		152,253	2,039,770	-	211,963	243,074	201,822	2,848,882

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

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

cash flow statements

for the financial year ended 31 December 2006

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
OPERATING ACTIVITIES					
Profit before taxation		581,340	534,927	132,920	101,741
Adjustments for:					
Depreciation		200,193	152,318	1,831	1,699
Dividend income		(12,324)	(10,681)	(145,503)	(109,925)
Impairment in cost of investment in					
- subsidiaries		-	-	2,853	-
- associates		-	10,369	-	4,623
Amortisation of intangible assets	22	791	36,287	-	-
Impairment of goodwill	22	17,691	-	-	-
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 (previously known as negative goodwill)	7	(70,746)	-	-	-
Allowance for doubtful debts for amounts due from subsidiaries		-	-	370	5,508
Write-off of project cost		11,851	5,505	11,851	5,505
Gain on disposal of investments and associates		(16,693)	(195,193)	(70,818)	(27,689)
Gain on disposal of property, plant and equipment		(12,042)	(1,465)	(260)	-
Impairment loss of property, plant and equipment		4,024	3,793	-	-
Write-off of property, plant and equipment		178	27	-	-
Write back of allowance for doubtful debts		(2,948)	(7,548)	-	-
Amortisation of land lease rental received in advance		(5,922)	-	-	-
Amortisation of deferred income		(2,780)	(2,885)	-	-
Bad debts recovered		(1,512)	(687)	-	-
Allowance for doubtful debts		2,475	13,235	-	5,000
Allowance for slow moving inventories		31	1,018	-	-
Foreign exchange difference from foreign operation		-	-	(1,980)	(4,330)

	Note	Group		Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest income		(20,686)	(11,252)	(5,216)	(5,107)
Interest expense		201,052	165,452	59,623	30,426
Share of results in:					
- associates		(116,354)	(162,126)	-	-
- jointly controlled entities		5,881	210	-	-
Allowance for mining exploration expenditure		13	172	13	172
Net unrealised (gain)/loss on foreign exchange		(800)	38	(67)	333
Provision for retirement benefits		843	92	-	-
		763,486	531,606	(14,383)	7,956
Changes in working capital:					
Inventories		1,674	(63)	-	-
Trade and other receivables		(92,792)	(8,183)	(2,234)	54,734
Trade and other payables		111,929	64,948	15,121	(9,808)
Designated accounts and pledged deposits		231	120	-	-
Cash generated from/(used in) operations		784,528	588,428	(1,496)	52,882
Income tax (paid)/refund		(63,940)	(23,065)	16,790	-
Mining exploration expenditure		(13)	(172)	(13)	(172)
Retirement benefits paid		(580)	(216)	-	-
Net cash flow generated from operating activities		719,995	564,975	15,281	52,710

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
INVESTING ACTIVITIES					
Acquisition of subsidiaries and increase in equity interest in subsidiaries	7	(590,553)	-	(835,488)	(3,352)
Subscription of preference shares in associate company		(3,000)	-	(3,000)	-
Dividends received from:					
- subsidiaries		-	-	89,099	61,845
- associates		62,630	60,830	19,892	20,889
- others		12,324	10,681	-	-
Interest received		20,686	11,252	5,216	5,107
Research and development expenses		(1,934)	(533)	-	-
Proceeds from sale of investments and associates		106,875	325,175	106,875	36,617
Subscription of preference shares in jointly controlled entity		(45,000)	(105,000)	-	-
Purchases of shares in jointly controlled entity		(1,310)	-	-	-
Proceeds from sale of property plant and equipment		42,212	2,052	282	-
Purchases of property, plant and equipment		(614,452)	(461,320)	(438)	(1,581)
Net cash flow (used in)/generated from investing activities		(1,011,522)	(156,863)	(617,562)	119,525
FINANCING ACTIVITIES					
Dividends paid		(65,774)	(48,670)	(65,774)	(48,670)
Dividends paid to minority interests of subsidiaries		(18,436)	(8,507)	-	-
Interest paid		(201,052)	(165,452)	(59,623)	(30,426)
Amounts due from:					
- holding company		-	-	25,000	(25,000)
- subsidiaries		-	-	(9,125)	78,058
Amounts due to subsidiaries		-	-	(14,514)	227,120
Borrowings					
- new drawdown		1,299,532	322,720	750,750	-
- repayment		(572,817)	(529,479)	(48,307)	(238,683)
Proceeds from issuance of preference shares		27,046	67,000	-	-
Government compensation received for toll operations		40,480	36,320	-	-
Net cash flow generated from/ (used in) financing activities		508,979	(326,068)	578,407	(37,601)

		Group		Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Net increase/(decrease) in cash and cash equivalents		217,452	82,044	(23,874)	134,634
Foreign exchange differences		44	1,913	-	-
Cash and cash equivalents at beginning of financial year		433,584	349,627	175,304	40,670
Cash and cash equivalents at end of financial year		651,080	433,584	151,430	175,304
Cash and cash equivalents comprise:					
Cash and bank balances		64,248	37,579	585	1,197
Deposits		602,167	409,930	150,845	174,107
Bank overdrafts		(2,869)	(1,228)	-	-
		663,546	446,281	151,430	175,304
Less:					
Designated accounts	30	(12,444)	(12,675)	-	-
Deposits pledged for banking facilities		(22)	(22)	-	-
		651,080	433,584	151,430	175,304

Included in the deposits of the Group are:

- (a) an amount of RM12.444 million (2005: RM12.675 million) being assigned as Designated Accounts for the loans as disclosed in Note 30; and
- (b) deposits of RM0.022 million (2005: RM0.022 million) which are pledged for certain banking facilities.

summary of significant accounting policies

for the financial year ended 31 December 2006

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

(a) Basis of preparation

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and are in compliance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards (collectively referred to as "FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the FRS, the MASB Approved Accounting Standards in Malaysia 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 amount of revenues and expenses during the financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgements 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.

At the beginning of the current financial year, the Group and Company had adopted new and revised FRS as follows:

- FRS 2 Share-based Payments
- FRS 3 Business Combinations
- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 101 Presentation of Financial Statements
- FRS 102 Inventories
- FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- FRS 110 Events After the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 121 The Effect of Changes in Foreign Exchange Rates
- FRS 127 Consolidated and Separate Financial Statements
- FRS 128 Investments in Associates
- FRS 131 Interests in Joint Ventures
- FRS 132 Financial Instruments: Disclosure and Presentation
- FRS 133 Earnings Per Share
- FRS 136 Impairment of Assets
- FRS 138 Intangible Assets
- FRS 140 Investment Property

The Group has not adopted the following FRS which are mandatory for the financial periods beginning on or after 1 January 2007.

- FRS 6 Exploration for and Evaluation of Mineral Resources
- FRS 117 Leases
- FRS 119 Employee Benefits
- FRS 124 Related Party Disclosure
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB)

The adoption of the new/revised FRS above have not resulted in changes to accounting policies of the Group and have no material impact on the financial statements other than:

(i) FRS 3 Business Combinations and FRS 136 Impairment of Assets

(a) Goodwill

Prior to 1 January 2006, goodwill was amortised on a straight line basis over a period ranging from 20 to 52 years and impairment assessed at each balance sheet date or as and when indicators of impairment exist.

The adoption of the new FRS 3 and FRS 136 has resulted in the Group ceasing its annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually and if circumstances indicate that it might be impaired.

(b) 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 (previously known as negative goodwill)

For business combinations with agreement dates entered into prior to 1 January 2006, 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 (previously known as negative goodwill) was recognised as reserve on consolidation in accordance with the Group's accounting policy prior to 1 January 2006 and subsequently adjusted to retained earnings following the adoption of FRS 3. As a result, the 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 (previously known as negative goodwill) amounting to RM69.629 million arising from the acquisition of 51.7% of Johor Port Berhad was reclassified from reserves on consolidation to retained earnings.

For business combinations entered into on and after 1 January 2006, the Group recognises the excess of the net fair value of the acquiree's assets and liabilities over the purchase price immediately to the income statement.

FRS 3 has been prospectively applied for business combinations for which the agreement date is on or after 1 January 2006 at Group level.

(ii) FRS 101 Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. The Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax expense on the consolidated income statement.

The adoption of the revised FRS 101 has resulted in the Group having to present minority interest within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit for the year. A similar requirement is also applied to the statement of changes in equity. The share of taxation of associates and jointly controlled entities accounted for using the equity method and now included in the consolidated income statement before arriving at the Group's profit before taxation.

Prior year comparatives have been reclassified accordingly.

(iii) FRS 121 The Effect of Changes in Foreign Exchange Rates

Prior to 1 January 2006, exchange differences arising on monetary items that form part of a reporting entity's net investment in a foreign entity was recognised to equity.

The adoption of FRS 121 has resulted in a change in accounting policy at Company level. The Company has now recognised the exchange differences arising on monetary items that form part of a reporting entity's net investment in a foreign entity to the income statement.

FRS 121 has been retrospectively applied at Company level.

(iv) FRS 140 Investment Property

Prior to 1 January 2006, investment properties were classified under Property, Plant and Equipment. The adoption of FRS 140 has resulted in the Group having to disclose investment properties separately in the balance sheet. The Group has adopted the cost model to measure its investment properties and are measured at depreciated cost less any accumulated impairment losses.

Prior year comparatives have been reclassified accordingly.

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

(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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the consolidated financial statements. The 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.

(b) Subsidiaries (continued)

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

For purchases of a subsidiary's equity shares from minority shareholders for cash consideration and the purchase price is established at fair value, the accretion of the Group's interests in the subsidiary is treated as purchase of equity interest under the acquisition method of accounting. The identifiable assets and liabilities acquired are adjusted to their fair values, with the resulting difference being attributed to 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 (previously known as negative goodwill).

Disposals of equity shares to minority shareholders for cash consideration and at fair value result in gain and losses for Group and recorded in the income statement. The gain or loss is the difference between the Group's share of net assets immediately before and immediately after disposal and a rateable portion of goodwill is realised.

For purchases or disposals from or to minority shareholders for consideration other than cash and not at fair value, the accretion or dilution of the Group's interests is treated as an equity transaction between the subsidiary and its shareholders. The difference between the Group's share of net assets immediately before and immediately after the change in stake and any consideration received or paid is adjusted to or against the Group's reserves.

All other changes in stakes and changes in composition of the Group are treated as equity transactions between the Group and its majority and minority shareholders. The difference between the Group's share of net assets before and after the change, and any consideration received or paid is adjusted to or 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 investment 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.

(d) Associates (continued)

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 have been 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.

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. The Directors have applied the transitional provisions of the International Accounting Standard No. 16 (Revised) Property, Plant and Equipment, an extant standard adopted by the Malaysian Accounting Standards Board, which allows those properties to be stated at their valuation. Accordingly, these valuations have not been updated.

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

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer accounting policy Note (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 on non-mining assets 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 while leasehold land is depreciated over the period of the lease. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Depreciation and depletion on mining assets is calculated by reference to the assets' expected output so as to write off the cost of these assets, less estimated residual value, over the estimated life of the ore reserves, which will be extracted before the expiry of the respective leases.

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

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:

Leasehold land	20 to 101 years
Buildings	50 years
Plant, machinery, dredges and other mining equipment	3 to 30 years
Pipelines system	30 years

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.

The Group revised the useful life of its pipelines system from 20 years to 30 years at the balance sheet date. The revision was accounted for as a change in accounting estimate and as a result, the depreciation charge per year for the current and future periods will reduce by RM17.431 million.

(h) Investment properties

Investment properties which 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) Land held for development

Land held for development consists of land where no development activities have been carried out and is stated at cost less any accumulated impairment loss. Such land is derecognised when it is disposed off or reclassified as property development costs at the point when development activities have commenced.

(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.

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 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.

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) 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.

(m) 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.

Prior to 1 January 2006, goodwill arising from equity transaction between the Group and minority shareholders as disclosed in accounting policy Note (c) on transactions with minority interests is adjusted against Group reserves.

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.

(m) Goodwill (continued)

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.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

(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 receivables

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

(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.

(u) Taxation

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

(u) Taxation (continued)

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 (previously known as negative goodwill) 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 rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(v) 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.

(w) Employee benefits

(i) Short-term employee benefits

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

(ii) Post employment benefits

Defined contribution plan

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

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

(w) Employee benefits (continued)

Defined benefit plan

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

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

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

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

Retirement benefits were last valued on 20 October 2004 and 1 January 2005 respectively, by independent qualified actuaries using the projected unit credit method.

(x) Revenue recognition

(i) Sales of goods and services

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

(ii) Construction contracts

(a) Fixed price contracts

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

(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.

(x) Revenue recognition (continued)

(c) Profit guarantee contracts

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

(iii) Port operations, repairing and cleaning containers

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

(iv) Sales of gas

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

(v) Toll operations

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

(vi) Dividend income

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

(vii) Interest income

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

(viii) Rental income

Rental income is recognised based on accruals basis.

(y) Finance costs

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

(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 "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(z) Foreign currencies (continued)

(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.

(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 45.

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

(aa) Financial instruments (continued)

(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) 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.

(ac) Contingent liabilities

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

In the acquisition of subsidiaries by the Group under a 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.

notes to financial statements

for the financial year ended 31 December 2006

1 CORPORATE INFORMATION

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

The principal activities of the Group consist of property and investment holding, construction, supply and distribution of natural and liquefied gas, manufacturing, civil and specialised engineering, construction and operation of privatised highway, port operations, fabrication, property and mine management, erection of power transmission lines, power generation, design and construction of public light rail system, conversion of municipal solid waste to energy, asset management, operations and maintenance services and natural gas separation works.

There is no significant change in the nature of these activities during the financial year, except for the Group's involvement in logistic services following the acquisition of Johor Port Berhad.

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 and credit history.

(e) Liquidity and cash flow risk

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

3 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.

(a) Critical accounting estimates and assumptions

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

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.

The recoverable amounts of Cash Generating Units (CGUs) were determined based on the value in use calculations. The calculations require the use of estimates as set out in Note 22.

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 transitional and new provisions of the respective FRS to each of the line items in the Group and Company's Income Statement for the financial year ended 31 December 2006 and Balance Sheet as at 31 December 2006 including restatement of comparatives and prior year adjustments 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 2006.

	FRS 3	FRS 3	FRS 101
Note reference in Summary of Significant Accounting Policies	RM'000 a(i)(a)	RM'000 a(i)(b)	RM'000 a(ii)
Group Increase/(Decrease)			
Other operating expenses	(36,287)	-	-
Other operating income	-	70,746	-
Share of results of associates	-	-	(59,341)
Share of associate tax	-	-	(59,341)
Earnings per ordinary share (sen):			
- Basic	2.38	4.65	-
- Diluted	2.38	4.65	-

	FRS 121
Note reference in Summary of Significant Accounting Policies	RM'000 a(iii)
Company Increase/(Decrease)	
Other operating income	1,980

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

(b) Summary of significant effects on Balance Sheet as at 31 December 2006

	FRS 3	FRS 3	FRS 140
	RM'000	RM'000	RM'000
Note reference in Summary of Significant Accounting Policies	a(i)(a)	a(i)(b)	a(iv)
Group			
Increase/(Decrease)			
Property, plant and equipment	-	-	(32,953)
Investment properties	-	-	32,953
Goodwill	36,287	-	-
Reserve on consolidation	-	(140,375)	-
Retained earnings	36,287	140,375	-

	FRS 121
	RM'000
Note reference in Summary of Significant Accounting Policies	a(iii)
Company	
Increase/(Decrease)	
Foreign exchange reserves	55,589
Retained earnings	(55,589)

(c) Restatement of comparatives

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

	Previously reported	FRS 140	As restated
	RM'000	RM'000	RM'000
Note reference in Summary of Significant Accounting Policies		a(iv)	
Group			
Increase/(Decrease)			
Balance Sheet			
Property, plant and equipment	3,563,008	(33,426)	3,259,390
Investment properties	-	33,426	33,426

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

(c) Restatement of comparatives (continued)

	Previously reported	FRS101	As restated
	RM'000	RM'000 a(ii)	RM'000
Note reference in Summary of Significant Accounting Policies			
Group			
Increase/(Decrease)			
Income Statement			
Share of results of associated companies	242,010	(79,884)	162,126
Share of taxation of associated companies	(79,884)	79,884	-

(d) Prior year adjustments

	Previously reported	FRS121	As restated
	RM'000	RM'000 a(iii)	RM'000
Note reference in Summary of Significant Accounting Policies			
Company			
Increase/(Decrease)			
31 December 2005			
Balance Sheet			
Foreign exchange reserves	(57,569)	57,569	-
Retained earnings	259,391	(57,569)	201,822
Income Statement			
Other operating income	5,443	4,330	9,773
31 December 2004			
Balance Sheet			
Foreign exchange reserves	(61,899)	61,899	-
Retained earnings	230,289	(61,899)	168,390

5 REVENUE

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue:				
- contract revenue	499,940	375,586	286,827	261,519
- sale of goods and gas	1,315,635	977,585	-	-
- services	54,713	45,469	-	-
- port operations	924,313	484,969	-	-
- toll operations	32,135	34,837	-	-
- dividends (Note 8(ii))	12,324	10,681	145,503	109,925
	<u>2,839,060</u>	<u>1,929,127</u>	<u>432,330</u>	<u>371,444</u>

6 COST OF SALES

Contract cost recognised as an expense	(477,602)	(347,646)	(271,425)	(242,071)
Cost of goods and gas sold	(1,040,323)	(788,829)	-	-
Cost of services	(30,047)	(25,765)	-	-
Cost of port operations	(377,328)	(171,523)	-	-
Cost of toll operations	(10,167)	(10,280)	-	-
	<u>(1,935,467)</u>	<u>(1,344,043)</u>	<u>(271,425)</u>	<u>(242,071)</u>

7 ACQUISITION OF SUBSIDIARIES AND INCREASE IN EQUITY INTEREST IN SUBSIDIARIES

- (a) On 20 March 2006, the Company completed the acquisition of 170,755,002 ordinary shares of RM1.00 each in Johor Port Berhad ("JPB") representing approximately 51.7% equity interest, for a total cash consideration of RM426.9 million satisfied entirely by cash.

Following the acquisition, pursuant to Section 33A of the Securities Commission Act, 1993 and Section 6 of the Malaysian Code on Take-Over and Mergers 1998, the Company completed its acquisition on 30 June 2006 of the remaining 159,244,998 ordinary shares of RM1.00 each, representing approximately 48.3% of equity interest in JPB, for a total cash consideration of RM398.1 million satisfied by cash.

The acquisition contributed revenue of RM364.4 million and profit of RM88.0 million to the Group for the period from 30 March 2006 to 31 December 2006. Had the acquisition took effect at the beginning of the period, the revenue and profit of the Group would have been RM472.6 million and RM112.5 million respectively.

7 ACQUISITION OF SUBSIDIARIES AND INCREASE IN EQUITY INTEREST IN SUBSIDIARIES (CONTINUED)

The fair value of the net assets acquired, goodwill and cash flow arising from the acquisition of the 51.7% equity interest in JPB is as follows:

	Carrying value (prior to acquisition)	Fair value (upon acquisition)
	RM'000	RM'000
Property, plant & equipment	779,478	779,478
Land held for development	540,000	540,000
Trade and other receivables	85,961	85,961
Other current assets	826	826
Cash and cash equivalents	234,447	234,447
Trade and other payables	(138,663)	(138,663)
Other current liabilities	(3,089)	(3,089)
Borrowings	(157,500)	(157,500)
Land lease received in advance	(180,224)	(180,224)
Deferred taxation	(183,751)	(183,751)
Other non-current liabilities	(12,708)	(12,708)
Fair value of net assets acquired	964,777	964,777
Less: Minority interest		(468,261)
Group's share of fair value of net assets		496,516
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 (previously known as negative goodwill) on consolidation		(69,629)
Total consideration		426,887
Less : Cash and cash equivalents of subsidiary acquired		(234,447)
Cash outflow of the Group on acquisition of subsidiaries		192,440

On the acquisition of 51.7% equity interest in JPB for which the Share Sale Agreement had been entered into on 7 December 2005, the 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 (previously known as negative goodwill) of RM69.629 million, as shown above, has been measured as the excess of the fair value of JPB's identifiable assets and liabilities over the purchase consideration and recognised as reserve on consolidation in accordance with the Group's accounting policy for business combinations entered into with agreement dates prior to 1 January 2006. Following the adoption of FRS 3 "Business Combinations", this reserve on consolidation is reclassified to retained earnings.

7 ACQUISITION OF SUBSIDIARIES AND INCREASE IN EQUITY INTEREST IN SUBSIDIARIES (CONTINUED)

For the acquisition of the remaining 48.3% equity interest in JPB, the purchase consideration of RM398.113 million resulted in additional 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 (previously known as negative goodwill) of RM70.746 million recognised in the income statement on the basis that it was a cash transaction at fair value with minority shareholders in accordance with the Group's accounting policy on transactions with minority shareholders as disclosed in Note (c) of the Summary of Significant Accounting Policies.

- (b) On 16 May 2006, the Company acquired the entire issued and paid up share capital of Nucleus Avenue Berhad ("NAB") for a purchase consideration of RM2.00.

The effect of the acquisition in NAB on the financial results of the Group for the financial year is not material.

- (c) On 8 June 2006, the Company incorporated MMC International Holdings Limited and MMC Saudi Holdings Limited (formerly known as MMC Saudi Arabia Limited) ("MMC Saudi") in the British Virgin Islands, each with an issued and paid-up capital of USD2.00, representing 2 ordinary shares of USD1.00 each.

The effect of the incorporation of the above subsidiaries on the financial results of the Group for the financial year is not material.

- (d) On 18 August 2006, MMC Saudi, a wholly-owned subsidiary, acquired the entire issued and paid up share capital of Speededge International Limited, a company incorporated in the British Virgin Islands, for a purchase consideration of USD1,050.

The effect of the acquisition of the above subsidiary on the financial results of the Group for the financial year is not material.

- (e) During the financial year, the Company acquired additional 10,469,288 ordinary shares of RM1.00 each in Recycle Energy Sdn Bhd ("RESB") on a progressive basis, representing additional 19.0% of its equity interest, for a total cash consideration of RM10.469 million resulting in the recognition of additional goodwill amounting to RM2.063 million. This has effectively increased the Group's interest in RESB to 70.0% (2005: 51.0%).

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

Net cash outflow from acquisitions of subsidiaries and increase in equity interest in subsidiaries:

	Group	Company
	RM'000	RM'000
Net cash outflow:		
- on acquisition of 51.7% of JPB	192,440	426,887
- on increase in investment of 48.3% in JPB	398,113	398,113
- on increase in investment of 19.0% in RESB	-	10,469
- on acquisitions of NAB, MMC International and MMC Saudi	-	19
	590,553	835,488

8 PROFIT BEFORE TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(i) Profit from operations is stated after charging:				
Allowance for mining exploration expenditure	13	172	13	172
Auditors' remuneration	668	540	84	61
Directors' remuneration (Note 8(iii))	2,654	4,006	2,295	2,884
Depreciation	200,193	152,318	1,831	1,699
Write-off of project cost	11,851	5,505	11,851	5,505
Allowance for doubtful debts	2,475	13,235	-	5,000
Allowance for slow moving inventories	31	1,018	-	-
Realised loss on foreign exchange	173	131	-	-
Unrealised loss on foreign exchange	188	333	-	333
Impairment losses of property, plant and equipment	4,024	3,793	-	-
Provision for retirement benefit	843	92	-	-
Hire of plant and machinery	54,930	18,046	-	-
Rent of land and buildings	38,691	15,955	1,368	1,173
Impairment in costs of investment in:				
- subsidiaries	-	-	2,853	-
- associates	-	10,369	-	4,623
Amortisation of intangible assets	791	36,287	-	-
Impairment of goodwill	17,691	-	-	-
Allowance for doubtful debts for amount due from subsidiaries	-	-	370	5,508
Write-off of property, plant and equipment	178	27	-	-
and crediting:				
Realised gain on foreign exchange	3,859	2,340	32	22
Unrealised gain on foreign exchange	988	295	67	-
Gain on disposal of property, plant and equipment	12,042	1,465	260	-
Rental income	750	853	77	23
Write back of allowance for doubtful debts	2,948	7,548	-	-
Amortisation of deferred income	2,780	2,885	-	-
Bad debts recovered	1,512	687	-	-
Interest income	20,686	11,252	5,216	5,107
Foreign exchange differences of foreign operations	-	-	1,980	4,330
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 (previously known as negative goodwill)	70,746	-	-	-
Gain on disposal of shares	16,693	195,193	70,818	27,689

8 PROFIT BEFORE TAXATION (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(ii) Gross dividend income is from:				
Associates:				
Quoted in Malaysia	-	-	21,754	24,029
Subsidiaries:				
Unquoted in Malaysia	-	-	123,749	85,896
Other investments:				
Quoted in Malaysia	12,324	10,681	-	-
	12,324	10,681	145,503	109,925
(iii) Directors' remuneration:				
The aggregate amount of emoluments received by Directors of the Company during the financial year was as follows:				
Directors of the Company				
Non-executive directors:				
- fees	562	558	451	453
- other emoluments	397	235	194	169
- estimated money value of benefits-in-kind	77	50	32	29
Executive directors:				
- salaries and other emoluments	1,349	2,375	1,349	1,545
- defined contribution plan	193	659	193	559
- estimated money value of benefits-in-kind	76	129	76	129
	2,654	4,006	2,295	2,884
(iv) Staff costs				
Wages, salaries and bonus	170,750	116,025	8,413	9,023
Defined contribution plan	18,809	10,922	1,041	1,456
Defined benefit plan	1,128	118	-	-
Other employee benefits	11,195	6,092	76	129
	201,882	133,157	9,530	10,608

9 FINANCE COST

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest on term loans	172,867	145,315	56,566	27,886
Commercial Papers	6,857	6,084	-	-
Bai' Bithaman Ajil Islamic Debt Securities	13,484	6,083	-	-
Revolving credits	5,694	5,796	3,057	2,540
Others	2,150	2,174	-	-
	201,052	165,452	59,623	30,426

10 TAX EXPENSE

Current tax:				
- Current year Malaysian tax	37,687	44,199	24,662	20,888
- Over accrual in prior years (net)	(48,219)	(411)	(10,891)	-
	(10,532)	43,788	13,771	20,888
Deferred tax (Note 23):				
- Origination and reversal of temporary differences	23,930	10,521	34	(851)
- (Over)/under accrual in prior years	(721)	(585)	1,542	(398)
	12,677	53,724	15,347	19,639

During the financial year, a subsidiary obtained approval from the Ministry of Finance for qualifying capital expenditure incurred from 1 January 2004 in relation to the Company's Natural Gas Distribution System (NGDS) Expansion Project in the form of an Investment Tax Allowance ("ITA").

As a result of the ITA received, the subsidiary has submitted revised tax submissions to the tax authorities for over payment of tax in prior years. Total tax over paid after taking into account of the ITA granted is RM35.902 million.

In addition, subject to agreement by the Inland Revenue Board, a subsidiary has unutilised tax incentives amounting to RM81.225 million (2005: RM96.359 million) which will provide the subsidiary with future tax savings of approximately RM21.931 million (2005: RM26.980 million).

10 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation	581,340	534,927	132,920	101,741
Tax calculated at the Malaysia tax rate of 28% (2005: 28%)	162,775	149,780	37,217	28,487
Tax effects of:				
- expenses not deductible for tax purposes	47,021	38,402	12,091	4,210
- income exempted from tax	(4,804)	(575)	(4,229)	(3,589)
- income not subject to tax	(27,834)	(36,022)	(20,383)	(9,071)
- differences in SME tax rate of 20% and corporate tax rate of 28%	(86)	(113)	-	-
- change in tax rate	(7,366)	-	-	-
- temporary differences not recognised	(14,217)	(16,868)	-	-
- utilisation of investment tax allowance	(34,531)	-	-	-
- share of results of associates net of tax and presented above the profit before taxation line	(59,341)	(79,884)	-	-
Over accrual in prior years (net)	(48,940)	(996)	(9,349)	(398)
Tax expense	12,677	53,724	15,347	19,639

11 EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per share is 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.

	Group	
	2006	2005
Net profit for the financial year attributable to ordinary equity holders of the Company (RM'000)	390,024	380,888
Weighted average number of ordinary shares in issue ('000)	1,522,529	1,226,406
Basic earnings per share (sen)	25.6	31.1
Diluted earnings per share (sen)	25.6	31.1

The Redeemable Convertible Subordinated Loans ("RCSL") issued by a subsidiary company as referred to in Note 35 do not have any dilutive effect on the Group's earnings per share.

12 DIVIDENDS

	Group and Company	
	2006 RM'000	2005 RM'000
Ordinary:		
Final proposed:		
8 sen per share, less 27% tax (2005 - 5 sen per share, less 28% tax)	88,916	54,811
1 sen per share, tax exempt (2005 - Nil sen per share, tax exempt)	15,225	-
Special proposed:		
Nil sen per share, less 27% tax (2005 - 1 sen per share, less 28% tax)	-	10,963
	<u>104,141</u>	<u>65,774</u>

At the forthcoming Annual General Meeting, a final dividend of 9 sen per share in respect of the financial year ended 31 December 2006 comprising 8 sen per share, less 27% income tax and 1 sen per share, tax exempt on 1,522,529,276 ordinary shares, amounting to a dividend payable of RM104,141,002 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2007.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties	Long-term leasehold properties	Short-term leasehold properties	Mining leases properties	Plant, machinery, dredges and other mining equipment	Expressway development expenditure	Pipelines	Capital work in progress	Total
Cost/valuation	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006									
- Cost	30,851	1,651,249	12,423	347	1,143,535	306,510	818,663	413,250	4,376,828
- Valuation	29,622	1,506	500	-	-	-	-	-	31,628
Reclassified to Investment Property	(17,324)	-	-	-	-	-	-	(17,838)	(35,162)
Reclassified to Non-Current Asset Held for Sale	-	(380)	-	-	-	-	-	-	(380)
	43,149	1,652,375	12,923	347	1,143,535	306,510	818,663	395,412	4,372,914
As Restated									
- Cost	17,168	1,650,869	12,423	347	1,143,535	306,510	818,663	395,412	4,344,927
- Valuation	25,981	1,506	500	-	-	-	-	-	27,987
	43,149	1,652,375	12,923	347	1,143,535	306,510	818,663	395,412	4,372,914
Additions	44	45,747	33	-	64,912	-	1,230	502,486	614,452
Disposals	(5,234)	-	-	-	(43,156)	-	-	-	(48,390)
Reclassification	-	306,298	-	-	137,232	-	141,988	(585,518)	-
Write off	-	-	-	-	(307)	-	-	-	(307)
Acquisition of subsidiaries	-	615,668	-	-	135,171	-	-	28,639	779,478
Accumulated impairment losses	(10,810)	(654)	-	-	(3,633)	-	(2,326)	-	(17,423)
At 31 December 2006	27,149	2,619,434	12,956	347	1,433,754	306,510	959,555	341,019	5,700,724

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold properties	Long-term leasehold properties	Short-term leasehold properties	Mining leases properties	Plant, machinery, dredges and other mining equipment	Expressway development expenditure	Pipelines	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation									
At 1 January 2006	(4,371)	(188,442)	(2,747)	-	(459,542)	(36,178)	(140,769)	-	(832,049)
Reclassified to Investment Property	1,736	-	-	-	-	-	-	-	1,736
Reclassified to Non-Current Asset Held for Sale	-	188	-	-	-	-	-	-	188
At 31 December 2006	(2,635)	(188,254)	(2,747)	-	(459,542)	(36,178)	(140,769)	-	(830,125)
As Restated									
Accumulated depreciation	(2,635)	(188,254)	(2,747)	-	(459,542)	(36,178)	(140,769)	-	(830,125)
Depreciation	(2,964)	(56,987)	(378)	-	(99,944)	(6,403)	(33,044)	-	(199,720)
Disposals	5,018	-	-	-	13,202	-	-	-	18,220
Write off	-	-	-	-	129	-	-	-	129
At 31 December 2006	(581)	(245,241)	(3,125)	-	(546,155)	(42,581)	(173,813)	-	(1,011,496)
Net book value									
At 31 December 2006	26,568	2,374,193	9,831	347	887,599	263,929	785,742	341,019	4,689,228
At 31 December 2005	31,402	1,463,467	10,176	347	680,360	270,332	677,894	395,412	3,529,390
Depreciation for the year 2005	714	33,501	404	-	70,023	7,442	40,087	-	152,171

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold properties	Long-term leasehold properties	Mining leases, properties and building	Plant, machinery and equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
Cost/valuation					
At 1 January 2006					
- Cost	826	4,115	347	17,530	22,818
- Valuation	-	1,506	-	-	1,506
Additions	-	-	-	438	438
Disposal	-	-	-	(1,454)	(1,454)
At 31 December 2006	826	5,621	347	16,514	23,308
Accumulated depreciation					
At 1 January 2006	-	(844)	-	(14,782)	(15,626)
Depreciation	-	(57)	-	(1,774)	(1,831)
Disposal	-	-	-	1,432	1,432
At 31 December 2006	-	(901)	-	(15,124)	(16,025)
Net book value					
At 31 December 2006	826	4,720	347	1,390	7,283
At 31 December 2005	826	4,777	347	2,748	8,698
Depreciation for the year 2005	-	57	-	1,642	1,699

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

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Freehold properties	12,183	14,441	-	-
Long-term leasehold properties	1,381	1,409	1,381	1,409
Short-term leasehold properties	55	55	-	-
	13,619	15,905	1,381	1,409
Net book values of assets pledged as security for borrowings (Note 30)	4,489,821	3,494,056	-	-

14 INVESTMENT PROPERTIES

	Group	
	2006 RM'000	2005 RM'000
Cost		
At 1 January	35,308	35,308
Impairment loss	(146)	(146)
At 31 December	35,162	35,162
Accumulated depreciation		
At 1 January	1,736	1,589
Depreciation	473	147
At 31 December	2,209	1,736
Net book value	32,953	33,426
Fair value	82,880	74,710

All investment properties are freehold properties.

15 LAND HELD FOR DEVELOPMENT

Leasehold land

	RM'000
Group	
Cost	
At 1 January 2006	-
Acquisition of a subsidiary (Note 7)	540,000
At 31 December 2006	540,000

16 INVESTMENTS IN SUBSIDIARIES

Company

	2006 RM'000	2005 RM'000
Shares quoted in Malaysia	2,094	2,094
Unquoted shares	4,140,463	3,304,975
	4,142,557	3,307,069
Less: Accumulated impairment losses of unquoted shares	(15,237)	(12,384)
	4,127,320	3,294,685
Market value of quoted investments:		
Quoted in Malaysia	14,661	11,310

The acquisition of subsidiaries during the financial year are disclosed in Note 7.

Details of the Group's subsidiaries are shown in Note 43.

17 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Shares quoted in Malaysia, at cost	949,157	985,214	163,046	199,103
Unquoted shares, at cost	37,695	37,695	5,028	5,028
Share of post-acquisition reserves	511,770	511,514	-	-
	1,498,622	1,534,423	168,074	204,131
Redeemable preference shares	3,000	-	3,000	-
Reclassified to Non-current asset held for sale	(2,635)	-	(3,000)	-
	1,498,987	1,534,423	168,074	204,131
Less: Accumulated impairment losses	(40,458)	(40,351)	(11,437)	(11,437)
	1,458,529	1,494,072	156,637	192,694
Represented by:				
Group's share of net assets other than goodwill	882,284	915,605		
Group's share of goodwill in associates' own consolidated financial statements	240,051	242,273		
Goodwill on acquisition	336,194	336,194		
	1,458,529	1,494,072		
Market value of quoted associates:				
Shares quoted in Malaysia	2,631,266	2,142,696	631,463	518,824

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

	Group	
	2006 RM'000	2005 RM'000
Revenue	689,150	1,224,487
Profit for the financial year	113,597	161,311
Non-current assets	3,325,910	3,136,520
Current assets	895,648	1,352,422
Current liabilities	(353,993)	(643,948)
Non-current liabilities	(2,409,036)	(2,350,922)
	1,458,529	1,494,072

17 INVESTMENTS IN ASSOCIATES (CONTINUED)

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 43.

The Group has discontinued the recognition of its share of losses of its inactive associates because the share of losses of this associate has exceeded the Group's interest in those associates. The unrecognised shares of losses of these associate for the current year and cumulatively were immaterial to the Group. The details of inactive associates are disclosed in Note 43.

On 18 September 2006, the Company disposed off 22,500,000 ordinary shares of RM1.00 each in Malaysia Smelting Corporation Berhad, representing a total of 30.0% of its issued and paid up capital, for a total cash consideration of RM106.9 million.

18 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

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

	Group	
	2006 RM'000	2005 RM'000
Income	650,053	229,086
Expenses	(655,934)	(229,296)
	(5,881)	(210)
Non-current assets	152,299	106,492
Current assets	85,017	102,792
Current liabilities	(90,979)	(103,396)
Net assets	146,337	105,888

18 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Details of jointly controlled entities are as follows:

Name of company	Principal activities	Proportion of ownership interest	
		2006 %	2005 %
+ MMCE-Franky Consortium Joint Venture	Construction and completion of Kuantan-Kertih Railway Project Civil Works Package 2	60.0	60.0
+ MMC-Gamuda Joint Venture	Design, engineering, procurement, construction, installation, testing and commissioning of Stormwater Management and Road Tunnel project	50.0	50.0
+ Projek Smart Holdings Sdn Bhd	Investment holding	50.0	50.0
+ Syarikat Mengurus Air Banjir dan Terowong Sdn Bhd (A wholly-owned subsidiary of Projek Smart Holdings Sdn Bhd)	To undertake the Stormwater Management and Road Tunnel project	50.0	50.0
+ Whale Shark Maritime Sdn Bhd	Transportation of open market cargoes	20.0	-
+ Audited by firms other than PricewaterhouseCoopers, Malaysia.			

19 OTHER INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At cost:				
Shares quoted outside Malaysia	13,172	13,172	-	-
Unquoted shares	2,000	2,000	2,000	2,000
	15,172	15,172	2,000	2,000
Less accumulated impairment losses:				
- Shares quoted outside Malaysia	(13,172)	(13,172)	-	-
- Unquoted shares	(2,000)	(2,000)	(2,000)	(2,000)
	-	-	-	-
Market value of quoted investments:				
- Shares quoted outside Malaysia	4,156	1,766		

The market value of quoted investment approximates its fair value.

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, interest free and are not repayable during the next twelve months except in so far as such repayment will not adversely affect the ability of the respective subsidiaries to meet their liabilities when due. Included in the amount due from subsidiaries are Redeemable Convertible Subordinated Loans of RM264.5 million (2005: RM264.5 million). The terms of the Redeemable Convertible Subordinated Loans are as disclosed in Note 35. Included in the amounts due to subsidiaries (non-current liabilities) are advances totalling RM172.0 million (2005: RM174.0 million) which represent part of the net investment in these subsidiaries.

	Company	
	2006 RM'000	2005 RM'000
The currency exposure profile of the amounts due from subsidiaries is as follows:		
- Ringgit Malaysia	470,063	461,308
- Australian Dollar	908	908
	470,971	462,216
The currency exposure profile of the amounts due to subsidiaries is as follows:		
- Ringgit Malaysia	560,858	575,372
- Australian Dollar	171,976	173,956
	732,834	749,328
Fair values of amounts due from/(to) subsidiaries are as follows:		
Amount due from subsidiaries	447,024	438,505
Amount due to subsidiaries	700,995	717,019

21 OTHER ASSET

	Group and Company	
	2006 RM'000	2005 RM'000
Mining exploration expenditure, at cost	9,931	9,918
Impairment losses:		
At 1 January	9,918	9,746
Charge for the year	13	172
At 31 December	9,931	9,918
Carrying value	-	-

22 INTANGIBLE ASSETS

	Group					
	Development expenditure		Intellectual property		Goodwill on consolidation	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Net book value						
At 1 January	493	-	7,733	8,000	1,729,507	1,765,487
Increase in equity interest in existing subsidiary	-	-	-	-	2,063	-
Impairment	-	-	-	-	(17,691)	-
Addition during the year	1,934	533	-	-	-	-
Amortisation charge	(525)	(40)	(266)	(267)	-	(35,980)
At 31 December	1,902	493	7,467	7,733	1,713,879	1,729,507
Cost						
At 31 December					1,838,742	1,836,679
Accumulated impairment losses					(17,691)	-
Accumulated amortisation					(107,172)	(107,172)
Net book value					1,713,879	1,729,507

Intellectual property

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

22 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

Impairment of goodwill

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

	31.12.2006	1.1.2006
	RM'000	RM'000
Pelabuhan Tanjung Pelepas Sdn Bhd		
- CGU 'A' : Port Business	1,709,140	1,709,140
MMC Engineering Group Berhad		
- CGU 'B' : Manufacturing of steel castings	-	2,921
- CGU 'C' : Manufacturing and contracting work in the Engineering field	-	13,132
- CGU 'D' : Design and construction	-	1,638
	-	17,691
Recycle Energy Sdn Bhd		
- CGU 'E' : Management and treatment of municipal solid waste and production of renewable energy	4,739	2,676
	1,713,879	1,729,507

Pelabuhan Tanjung Pelepas Sdn Bhd (CGU A)

The recoverable amount of CGU A is determined based on a "value in use" calculation. The "value in use" of CGU A was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of goodwill by RM467 million. The "value in use" is derived based on management's cash flow projections for 5 financial years from 2007 to 2011 and the key assumptions used in the calculation of "value in use" are as follows:

- Projected annual Twenty-Foot Equivalent Unit ("TEU") of 5.1 million to 8.5 million over the projection period from 2007 to 2011;
- The cash flow projections after 2011 are extrapolated in perpetuity using a nominal long-term growth rate of 3.5% per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and
- Pre-tax discount rates ranging from 9.75% to 10.02% were applied over the projection period in determining the range of recoverable amount of the CGU. The discount rates were derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

22 INTANGIBLE ASSETS (CONTINUED)

Management's judgement is involved in estimating the future cash flows of CGU A. 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:

- (i) A decrease of 4.0% in the total projected annual TEU in each financial year over the projection period; or
- (ii) Long term growth rate beyond the explicit projection period is lower than 3.1% per annum; or
- (iii) Pre-tax discount rate is higher than 10.4%.

If the total projected annual TEU in each financial year over the projection period were to reduce by an additional 1% per annum from the breakeven point as mentioned in (i) above (i.e. a decrease of 5% per annum in the total projected annual TEU in each financial year over the projection period), this would lead to an impairment loss of approximately RM35 million.

MMC Engineering Group Berhad (CGU B, C, and D)

The recoverable amount of these CGUs are determined based on a "value in use" calculations. The "value in use" of these CGUs were determined by discounting the future cash flows to be generated from the continuing use of each CGU. The "value in use" is derived based on management's cash flow projections for 5 financial years from 2007 to 2011.

The cash flow projections are developed based on existing order book which takes into consideration inflation.

Pre-tax discount rates ranging from 5.09% to 8.00% were applied over the projection period in determining the range of recoverable amount of the CGUs. The discount rates were derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

The Group recognised an impairment loss of goodwill of RM17.691 million during the financial year (2005: RM nil) for CGU B, C and D as the discounted cash flows are unable to support the carrying amount of the investment in the respective subsidiaries and as such, an impairment to the goodwill was allocated to them.

Impairment loss during the financial year

Impairment loss of goodwill was included in the following income statement line item:
- Other operating expenses

Group	
2006 RM'000	2005 RM'000
17,691	-

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:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets	6,603	9,075	-	1,476
Deferred tax liabilities:				
- subject to income tax	(303,822)	(99,217)	(100)	-
- subject to capital gains tax	(156)	(273)	-	-
	(303,978)	(99,490)	(100)	-
	(297,375)	(90,415)	(100)	1,476
At 1 January	(90,415)	(80,479)	1,476	227
(Charged)/credited to income statement (Note 10):				
- property, plant and equipment	(36,803)	(3,607)	(26)	448
- receivables	14,466	(4,314)	(1,542)	1,542
- payables	446	(154)	-	-
- tax losses	(1,120)	(1,798)	-	(640)
- provisions	(187)	(175)	(8)	(101)
- others	(11)	112	-	-
	(23,209)	(9,936)	(1,576)	1,249
Acquisition of a subsidiary	(183,751)	-	-	-
At 31 December	(297,375)	(90,415)	(100)	1,476
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	172	5	-	-
Receivables	15,038	2,856	-	1,542
Payables	644	198	-	-
Tax losses	13,765	14,885	-	-
Provisions	4,529	385	71	80
Others	-	11	-	-
	34,148	18,340	71	1,622
Offsetting	(27,545)	(9,265)	(71)	(146)
Deferred tax assets (after offsetting)	6,603	9,075	-	1,476

23 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(331,367)	(106,198)	(171)	(146)
Receivables	-	(2,284)	-	-
	(331,367)	(108,482)	(171)	(146)
Offsetting	27,545	9,265	71	146
Deferred tax liabilities (after offsetting)	(303,822)	(99,217)	(100)	-
Subject to capital gains tax:				
Property, plant and equipment	(156)	(273)	-	-

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

	Group	
	2006 RM'000	2005 RM'000
Deductible temporary differences	61,068	82,254
Tax losses	258,432	288,021
	319,500	370,275

24 INVENTORIES

At cost:		
Spares, consumables and container repair materials	21,555	20,954
Raw materials	4,265	4,526
Work-in-progress	5,182	3,031
Manufactured inventories	1,250	1,911
	32,252	30,422
At net realisable value:		
Raw materials	31	31
Manufactured inventories	1,039	611
	33,322	31,064

Inventories of the Group of RM22.728 million (2005: RM21.520 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

The adoption of FRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" did not have a material impact on the financial statements. As a result of FRS 5, the Group has reclassified non-current assets held for sale as current assets and are stated at the lower of carrying amount and fair value less costs to sell.

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Leasehold land	192	192	-	-
Investment in Associates	2,635	-	-	-
Redeemable Preference shares	-	-	3,000	-
	2,827	192	3,000	-

Investment in associate and Redeemable Preference Shares

On 7 July 2006, MMC Engineering Group Berhad, a 99.99% subsidiary had proposed to dispose off 1,379,400 ordinary shares of RM1.00 each, representing 30% equity interest in MMC Defence Sdn Bhd. The disposal was completed on 11 January 2007.

The carrying amount of the investment in this subsidiary via Redeemable Preference shares held by the Company has been presented as a non-current asset held for sale on the Company's balance sheet as at 31 December 2006.

Leasehold land

The Sale and Purchase Agreement for the leasehold land was signed on 9 November 2005. As of 31 December 2005, all criteria pertaining to the sale of the land had been fulfilled and as such with reference to the transitional provision as allowed by FRS 5 "Non-Current Asset held for Sale and Discontinued Operations" paragraph 43, the comparative had been reclassified accordingly. However, as of 31 December 2006, the leasehold land remains in the books of the Group as the buyer is still in the midst of finalising its financing arrangements.

26 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	372,825	330,391	3,237	26,943
Less: Allowance for doubtful debts	(31,162)	(31,852)	(8)	(8)
	341,663	298,539	3,229	26,935
Other receivables	58,685	29,941	600	10,401
Less: Allowance for doubtful debts	(2,005)	(1,687)	-	-
	56,680	28,254	600	10,401
Deposits	19,893	8,779	987	1,271
Prepayments	9,334	8,372	-	-
	85,907	45,405	1,587	11,672

26 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Advances received on contract (Note 38)	2,167	1,521	-	-
Amount due from contract customers (Note 38)	50,924	23,082	-	-
Amounts due from associates	918	2,406	2,549	2,394
Less: Allowance for doubtful debts	-	(1,613)	(1,643)	(1,613)
	918	793	906	781
Amounts due from jointly controlled entities	36,012	46	36,012	46
	517,591	369,386	41,734	39,434

Included in other receivables of the Group are permanent resettlement costs of RM2.946 million (2005: RM3.046 million) of which RM nil million (2005: RM0.022 million) have been reclassified from property, plant and equipment (Note 13). These costs are recoverable from the sale of the permanent resettlement houses.

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
The currency exposure profile of trade receivables are as follows:				
- Ringgit Malaysia	320,030	286,859	-	23,706
- US Dollar	14,371	5,672	3,229	3,229
- Australian Dollar	5,923	5,850	-	-
- Others	1,339	158	-	-
	341,663	298,539	3,229	26,935

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

Group and Company	
2006 RM'000	2005 RM'000

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

15,780	40,780
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28 MARKETABLE SECURITIES

Group

2006 RM'000	2005 RM'000
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Shares in a corporation quoted in Malaysia, at cost:
Less: Accumulated impairment loss

85,760	85,185
(484)	-

85,276	85,185
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Market value:
- quoted in Malaysia

295,882	252,655
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Marketable securities amounting to RM79.3 million (2005:RM79.3 million) are pledged as security for borrowings as disclosed in Note 30.

29 DEPOSITS, BANK AND CASH BALANCES

Group

Company

2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
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Deposits with:

Licensed banks

441,445	276,783	74,973	69,911
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Finance companies

749	19,784	-	17,339
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Other financial institutions

159,973	113,363	75,872	86,857
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Cash and bank balances

602,167	409,930	150,845	174,107
64,248	37,579	585	1,197

666,415	447,509	151,430	175,304
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The currency exposure profile of the deposits, bank and cash balances are as follows:

- Ringgit Malaysia

657,213	434,962	142,929	163,466
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- US Dollar

-	162	-	162
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- Australian Dollar

8,488	11,743	7,787	11,034
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- Pound Sterling

714	642	714	642
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666,415	447,509	151,430	175,304
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29 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

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

	Group		Company	
	2006 % per annum	2005 % per annum	2006 % per annum	2005 % per annum
Deposits placed with:				
Licensed banks	3.51	2.87	4.63	3.35
Finance companies	3.51	2.90	-	2.90
Other financial institutions	3.08	2.91	3.53	2.98

Deposits of the Group and Company have an average maturity of 30 days (2005: 30 days).

30 BORROWINGS (INTEREST BEARING)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current				
US Dollar term loans - secured	14,972	29,047	-	-
Al-Murabahah				
Commercial Papers - secured	194,000	200,000	-	-
Medium Term Note - secured	35,000	-	-	-
Term loans - secured	219,659	174,659	-	-
Multi-option line - secured	28,191	50,268	-	-
- unsecured	75,823	93,416	65,000	65,000
	567,645	547,390	65,000	65,000
Non-current				
US Dollar term loans - secured	-	16,137	-	-
Term loans - secured	3,205,693	2,320,525	1,248,446	546,003
Bai' Bithaman Ajil				
Islamic Debt Securities - secured	171,301	174,731	-	-
	3,376,994	2,511,393	1,248,446	546,003
Total	3,944,639	3,058,783	1,313,446	611,003
The currency exposure profile of the borrowings is as follows:				
- Ringgit Malaysia	3,929,667	3,013,599	1,313,446	611,003
- US Dollar	14,972	45,184	-	-
	3,944,639	3,058,783	1,313,446	611,003
Fair values of term loans are as follows:				
- US Dollar term loans	14,972	46,064	-	-
- Term loans	3,242,298	2,347,685	1,313,444	649,685

30 BORROWINGS (INTEREST BEARING) (CONTINUED)

- (i) The USD long-term loan of the Group of USD63 million was arranged with the Japan Bank for International Cooperation and drawdown over nine instalments from 30 July 1993. Repayments are by fourteen half-yearly increasing instalments commencing 31 July 2000. The loan is subject to a fixed interest rate of 6.1% (2005: 6.1%) per annum and is secured by way of a debenture over all assets of a subsidiary company.
- (ii) The RM200 million Al-Murabahah Commercial Papers/Medium-Term Notes Programme and RM500 million Al-Murabahah Medium-Term Notes Issuance Programme 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. As at 31 December 2006, RM194 million of Al-Murabahah Commercial Papers and RM35 million of Medium Term Notes have been drawdown.
- (iii) Bank overdrafts of a subsidiary are secured by an "all monies" debentures of RM5.3 million (2005: RM5.3 million) by way of a floating charge over all the subsidiary's inventories, book debts, raw materials, work in-progress and finished goods. The net book value of inventories and book debts of the subsidiary charged are approximately RM5.1 million (2005: RM4.7 million) and RM9.2 million (2005: RM9.1 million) respectively.
- (iv) Interest on term loans of a subsidiary are charged at a fixed rate which ranges from 5% to 6% per annum (2005: 5% to 6%). 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 RM2.86 billion (2005: RM2.58 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.

- (v) The secured long term loan on Syariah principles carries an effective interest rate of 5.1% (2005: 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 fitting, office equipment, computers and other fixed assets.

30 BORROWINGS (INTEREST BEARING) (CONTINUED)

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

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

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

- (vii) The term loans of the Company are secured by certain assets of the Company and a subsidiary company. Interest rates on the term loans of the Company range from 4.77% to 6.65% per annum (2005: 4.25% to 6.65%). The tenure of the loans ranges from 2 - 8 years with bullet repayments on maturity from the dates of drawdown. The revolving credit facility of the Company is unsecured and bears interest ranging from 4.50% to 5.05% per annum (2005: 3.85% to 4.35%).

Analysis of repayment schedule:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Within 1 year	567,645	547,390	65,000	65,000
From 1 to 2 years	239,459	200,796	-	-
From 2 to 5 years	780,178	659,178	-	-
After 5 years	2,357,357	1,651,419	1,248,446	546,003
	3,944,639	3,058,783	1,313,446	611,003

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

	Group		Company	
	2006 % per annum	2005 % per annum	2006 % per annum	2005 % per annum
US Dollar term loan	6.10	6.10	-	-
Term loans	5.45	5.56	5.12	5.03
Multi option line	4.69	4.09	4.35	4.35
Al-Murabahah Commercial Papers & Medium Term Note	3.53	2.74	-	-
Islamic Debt Securities	4.00	4.00	-	-

31 TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	302,943	184,323	41,894	-
Other payables	213,451	133,648	9,497	25,699
Accruals	120,356	83,293	2,672	1,393
Advances received on contracts	7,738	1,521	-	-
Amount due to contract customers (Note 38)	11,700	8,158	-	-
Provision for retirement benefits (Note 31(a))	1,313	217	-	-
	657,501	411,160	54,063	27,092
The currency exposure profile of the trade payables is as follows:				
- Ringgit Malaysia	298,759	180,387	41,894	-
- US Dollar	2,489	2,111	-	-
- Others	1,695	1,825	-	-
	302,943	184,323	41,894	-

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

(a) Provision for retirement benefits

	Group	
	2006 RM'000	2005 RM'000
At 1 January	893	1,017
Acquisition of a subsidiary	15,285	-
Charged to income statement	843	92
Utilised during the financial year	(580)	(216)
At 31 December	16,441	893
Analysed as:		
Current	1,313	217
Non-current	15,128	676
	16,441	893
Non-current		
Present value of funded obligations	15,755	1,017

31 TRADE AND OTHER PAYABLES (CONTINUED)

Certain subsidiaries of the Group manage a defined retirement benefit scheme, applicable to all full time employees of the respective subsidiaries. These schemes are valued by independent actuaries every three years using the projected unit credit method. The valuations were carried out on 20 October 2004 and 1 January 2005 respectively and these valuations showed that the provision for retirement benefits as at that date is sufficient to meet the actuarially determined value of vested benefits.

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

	Group	
	2006 RM'000	2005 RM'000
Present value of funded obligations	15,755	1,017
Unrealised actuarial losses/(gains)	686	(124)
Net liability recognised in the balance sheet	16,441	893
The expense recognised in the income statements is analysed as follows:		
Current service cost	661	56
Interest cost	182	36
Expense recognised in the income statement	843	92

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

	2006 %	2005 %
Discount rate	7.0	7.0
Interest cost	5.0	5.0

32 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised:				
Ordinary shares of RM0.10 each:				
At 31 December	2,000,000	2,000,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of RM0.10 each:				
At 1 January	1,522,529	1,126,613	152,253	112,661
Issued during the financial year:				
Increase in equity interest in an existing subsidiary	-	395,916	-	39,592
At 31 December	1,522,529	1,522,529	152,253	152,253

33 RESERVES

Subject to the agreement of the Inland Revenue Board, the Company has tax credits under Section 108 of the Income Tax Act, 1967 of RM23.4 million (2005: RM23.8 million) to frank the payment of dividend out of the distributable reserves of the Company as at 31 December 2006. The extent of distributable reserves not covered at that date amounted to RM410.0 million (2005: RM359.9 million).

34 REDEEMABLE PREFERENCE SHARES

	Group	
	2006 RM'000	2005 RM'000
Redeemable Preference Shares of RM0.01 each:		
At 1 January	670	-
Issued and paid up during the year	270	670
At 31 December	940	670
Premium on Redeemable Preference Shares:		
At 1 January	66,330	-
Issued and paid up during the year	26,776	66,330
At 31 December	93,106	66,330
Classified as liabilities	94,046	67,000

During the financial year, a subsidiary has issued 27,045,752 Redeemable Preference Shares ("RPS") of RM0.01 each at an issue price of RM1.00 each.

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:

	Group	
	2006 RM'000	2005 RM'000
Unsecured		
Company	369,494	369,494
Other corporate shareholders	158,355	158,355
Total RCSL issued	527,849	527,849

Details of the Redeemable Convertible Subordinated Loans are as follows:

- (i) The RCSL are subordinated to the prior repayment of the term loans of the subsidiary and are due for a lump-sum settlement at the end of the tenure on 30 June 2013.
- (ii) The holders of the RCSL are entitled to require the subsidiary to allot ordinary shares of the subsidiary commencing from 5 September 1997 (the date of first drawdown) until 30 June 2013 in exchange for and in satisfaction of the amount of the loans at RM1.00 of the loan to the equivalent number of shares of RM1.00 each.
- (iii) The holders of the RCSL have agreed to grant a moratorium on interest of 5% per annum for a period of 48 months commencing from 1 January 2003 until 31 December 2006.
- (iv) In the event any interest chargeable is not paid when due to the holders of the RCSL, the interest due and accruing may at the sole discretion of the holders be capitalised and added to the principal sum with interest chargeable on it.
- (v) The loan facility limit is RM1.01 billion.

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

36 LAND LEASE RECEIVED IN ADVANCE

	Group	
	2006 RM'000	2005 RM'000
At Cost		
1 January	-	-
Acquisition of subsidiary	180,224	-
Addition during the year	12,245	-
Recognised as income during the financial year	(5,992)	-
Recognisable within next 12 months	(7,994)	-
	178,483	-

37 DEFERRED INCOME

	Group	
	2006 RM'000	2005 RM'000
At 1 January	57,704	60,589
Recognised as income during the financial year	(2,780)	(2,885)
At 31 December	54,924	57,704
Analysed as:		
Deferred income realisable within 12 months	6,258	2,780
Deferred income realisable after 12 months	48,666	54,924
	54,924	57,704

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 (x) (v).

38 CONSTRUCTION CONTRACTS

	Group	
	2006 RM'000	2005 RM'000
Aggregate costs incurred and recognised profits (less losses) to date	669,577	481,149
Progress billings	(630,353)	(466,225)
	39,224	14,924
Amount due from contract customers (Note 26)	50,924	23,082
Amount due to contract customers (Note 31)	(11,700)	(8,158)
	39,224	14,924
Advances received on contracts (Note 26)	2,167	1,521
Retentions on contracts	8,043	11,827

38 CONSTRUCTION CONTRACTS (CONTINUED)

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

	Group	
	2006 RM'000	2005 RM'000
Office rental	52	67
Depreciation of property, plant and equipment	169	335
Hire of plant and machinery	732	1,630
Staff cost	13,513	9,868
Staff cost consists of the following:		
Salaries, wages and bonus	12,054	8,715
Defined contribution plan	1,374	997
Other employee benefits	85	156
	13,513	9,868

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

39 SEGMENTAL INFORMATION

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

(a) Primary reporting format - Business segments:

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2006					
Revenue					
Total	991,208	1,500,249	342,116	40,543	2,874,116
Inter-segment	-	-	(35,011)	(45)	(35,056)
External	991,208	1,500,249	307,105	40,498	2,839,060

39 SEGMENTAL INFORMATION (CONTINUED)

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

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2006					
Results					
Segment profit/(loss)	356,729	247,671	14,608	32,225	651,233
Interest income	-	-	-	-	20,686
Finance costs	-	-	-	-	(201,052)
Share of results of associates	-	82,631	26,101	7,622	116,354
Share of results of jointly controlled entities	(2)	-	(5,879)	-	(5,881)
Profit before taxation					581,340
Taxation					(12,677)
Net profit for the financial year					568,663
2006					
Other information					
Segment assets	6,153,479	1,293,247	169,627	256,107	7,872,460
Associates	-	1,167,869	272,919	17,741	1,458,529
Interest-bearing instruments	365,375	142,105	845	158,090	666,415
Total assets					9,997,404
Segment liabilities	735,933	369,261	22,200	82,557	1,209,951
Interest-bearing instruments	2,528,179	331,052	14,136	1,323,673	4,197,040
Total liabilities					5,406,991
Other disclosures					
Capital expenditure	466,552	141,794	-	6,106	614,452
Depreciation	141,820	45,036	(47)	13,384	200,193
Impairment loss	-	2,326	-	1,698	4,024

39 SEGMENTAL INFORMATION (CONTINUED)

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

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2005					
Revenue					
Total	544,236	1,069,589	399,883	41,788	2,055,496
Inter-segment	-	(21,971)	(103,882)	(516)	(126,369)
External	544,236	1,047,618	296,001	41,272	1,929,127
Results					
Segment profit/(loss)	204,673	162,929	38,093	157,803	563,498
Interest income	-	-	-	-	11,252
Finance costs	-	-	-	-	(165,452)
Share of results of associates	-	113,890	30,751	17,485	162,126
Share of results of jointly controlled entities	-	-	(210)	-	(210)
Amortisation of intangible assets					(36,287)
Profit before taxation					534,927
Taxation					(53,724)
Net profit for the financial year					481,203
Other information					
Segment assets	4,474,322	1,061,627	138,335	292,184	5,966,468
Associates	-	1,127,976	261,849	104,247	1,494,072
Interest-bearing instruments	194,353	66,528	3,813	182,815	447,509
Total assets					7,908,049
Segment liabilities	223,474	275,285	30,550	60,249	589,558
Interest-bearing instruments	2,308,966	336,531	18,039	620,602	3,284,138
Total liabilities					3,873,696
Other disclosures					
Capital expenditure	223,144	232,929	471	3,452	459,996
Depreciation	95,614	48,940	725	7,039	152,318
Impairment loss	-	-	-	3,793	3,793

39 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.

40 SIGNIFICANT CONTINGENT LIABILITIES – UNSECURED

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

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

The Directors are of the view, based on the legal advice from their solicitors, that there is a fair chance of success in the arbitration proceedings.

- (b) 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 privatisation 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) Percon Corporation Sdn Bhd ("Percon") filed a counter claim for the sum of RM51.6 million against MMC Engineering Services Sdn Bhd ("MMCES"), pursuant to a claim filed by MMCES against Percon arising from Percon's failure to pay MMCES under a Deed of Termination dated 3 October 1998 entered into between Percon, Leighton Contractors (M) Sdn Bhd and MMCES.

The solicitors acting for MMCES are of the view that MMCES has a good chance of succeeding in its claim and defending the said counter claim by Percon.

- (d) At 31 December 2006, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Bank guarantees issued to third parties for performance	95,810	39,333	50,004	3,820

40 SIGNIFICANT CONTINGENT LIABILITIES – UNSECURED (CONTINUED)

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

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

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

41 COMMITMENTS

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	273,982	208,908	698	2,416
Contracted but not provided for in the financial statements	474,296	339,996	-	-
Total	748,278	548,904	698	2,416
(b) Non-cancellable operating lease commitments			Group	
			2006 RM'000	2005 RM'000
(i) For computer hardware				
Not later than 1 year			2,261	-
Later than 1 year and not later than 5 years			4,182	-
			6,443	-
(ii) For the port area				
Not later than 1 year			10,000	10,000
Later than 1 year and not later than 5 years			40,000	40,000
Later than 5 years			130,000	140,000
			180,000	190,000
(iii) For rental of office building and equipment				
Not later than 1 year			1,855	1,538
Later than 1 year and not later than 5 years			3,653	5,404
			5,508	6,942
Total			191,951	196,942

42 SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Transactions				
Substantial shareholder:				
Skim Amanah Saham Bumiputra- Permodalan Nasional Berhad Group				
Rental expense	-	1,498	-	-
Pelabuhan Tanjung Pelepas Sdn Bhd				
Rental expense of prime mover from JP Logistics Sdn Bhd (a subsidiary of the holding company in the previous year)	-	5,860	-	-
Professional fees charged by companies related to a Director	1,677	269	292	245

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

43 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
		2006 %	2005 %	
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

43 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
Anglo-Oriental (Malaya) Trustees Sdn Bhd	Malaysia	100.0	100.0	Trust management
* Anglo-Oriental (Nominees) Australia Pty Limited	Australia	100.0	100.0	Investment holding (under members' voluntary liquidation)
Konsortium Lebuh Raya Butterworth- Kulim (KLBK) Sdn Bhd	Malaysia	100.0	100.0	Operation, maintenance and toll collection of a privatised highway
Labohan Dagang Galian Sdn Bhd	Malaysia	100.0	100.0	Investment holding
* Malaysia Mining Corporation Australia Pty Limited	Australia	100.0	100.0	Australian representative office of MMC (under members' voluntary liquidation)
MMC Frigstad Offshore Sdn Bhd	Malaysia	100.0	100.0	Property investment
MMC Marketing Sdn Bhd	Malaysia	100.0	100.0	Property investment
Pernas Charter Management Sdn Bhd	Malaysia	100.0	100.0	Mine management
Timah Dermawan Sdn Bhd	Malaysia	51.8	51.8	Tin mining operations (winding down)

43 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
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
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

43 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
MMC Shapadu (Holdings) Sdn Bhd	Malaysia	76.0	76.0	Investment holding
MMC Metal Industries Sdn Bhd	Malaysia	75.7	75.7	Manufacture and sale of steel castings
Pelepas-Brigantine Container Services Sdn Bhd (a 70% owned subsidiary holds 70% of this company)	Malaysia	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	75.6	Manufacture of weatherstrips
++ Kramat Tin Dredging Berhad	Malaysia	52.9	52.9	Tin mining operations (under restructuring)
MMI Precision Sdn Bhd	Malaysia	75.7	75.7	Manufacture and sale of precision castings
Pelabuhan Tanjung Pelepas Sdn Bhd	Malaysia	70.0	70.0	Port operations

43 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2006 %	2005 %	
Gas Malaysia Sdn Bhd (a 76% owned subsidiary holds 55% of this company)	Malaysia	41.8	41.8	Construction and operation of natural gas distribution system
Johor Port Bhd	Malaysia	100.0	-	Port operations
Pelantar Teknik (M) Sdn Bhd (a 76% owned subsidiary holds 55% of this company)	Malaysia	41.8	41.8	Property holding
Gas Malaysia (LPG) Sdn Bhd (a 76% owned subsidiary holds 55% of this company)	Malaysia	41.8	41.8	Supply of liquefied petroleum gas via reticulation system
Recycle Energy Sdn Bhd	Malaysia	70.0	51.0	Conversion of municipal solid waste to energy
MMC-Transfield Services Sdn Bhd	Malaysia	51.0	51.0	Asset management operations and maintenance services
MMC-VME Sdn Bhd	Malaysia	61.0	51.0	Natural gas separation works
* JP Logistics Sdn Bhd	Malaysia	100.0	-	Providing logistics services
* Bernas Logistics Sdn Bhd	Malaysia	75.0	-	Providing logistics services
* Seaport Worldwide Sdn Bhd	Malaysia	100.0	-	Investment holding and property development

43 COMPANIES IN THE GROUP (CONTINUED)

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

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

Associates

Name of company	Country of incorporation	Group's effective interest		Accounting date for inclusion of company results	Principal activities
		2006 %	2005 %		
++ Integrated Rubber * Corporation Berhad	Malaysia	20.1	20.1	31.10.2006	Manufacture and trading of natural rubber latex gloves
++ Malakoff Berhad *	Malaysia	22.0	22.0	30.11.2006	Power generation
++ Malaysia Smelting * Corporation Berhad	Malaysia	-	30.0	31.8.2006	Tin smelting
++ Zelan Berhad (formerly known as Tronoh Consolidated Malaysia Berhad)	Malaysia	39.2	39.2	31.10.2006	Investment holding, civil engineering and construction of power plant and buildings
MMC Defence Sdn Bhd	Malaysia	29.9	29.9	31.12.2006	Specialised defence engineering works

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

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

43 COMPANIES IN THE GROUP (CONTINUED)

Inactive subsidiaries

Name of company	Country of incorporation	Group's effective interest	
		2006 %	2005 %
Nucleus Avenue (M) Bhd	Malaysia	100.0	-
Amalan Rantau (M) Sdn Bhd	Malaysia	100.0	100.0
Anglo-Oriental Nominees Sdn Bhd	Malaysia	100.0	100.0
* Anglo-Oriental do Brasil Ltda	Brazil	100.0	100.0
Bidor Malaya Tin Sdn Bhd	Malaysia	100.0	100.0
Dana Vision Sdn Bhd	Malaysia	100.0	100.0
* 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	Malaysia	100.0	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	100.0	100.0
More Furniture Ideas (M) Sdn Bhd (under creditors' liquidation)	Malaysia	100.0	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
MMC Gamuda Joint Venture Sdn Bhd	Malaysia	100.0	100.0
Alam Dergahayu (Johor) Sdn Bhd (in voluntary liquidation)	Malaysia	99.9	99.9
Eastern Waste Management Sdn Bhd (in voluntary liquidation)	Malaysia	99.9	99.9
* MMC EG Co. Ltd	Mongolia	90.0	90.0
MMI Foundry Sdn Bhd	Malaysia	75.7	75.7
* Tepat Teknik (Labuan) Ltd	Malaysia	69.9	69.9
Tepat Teknik (Sarawak) Sdn Bhd	Malaysia	69.9	69.9
Prentis Sdn Bhd	Malaysia	100.0	100.0
Speededge International Limited	British Virgin Islands	100.0	100.0
MMC International Holdings Ltd	British Virgin Islands	100.0	100.0
MMC Saudi Holdings Ltd (formerly known as MMC Saudi Arabia Ltd)	British Virgin Islands	100.0	100.0

43 COMPANIES IN THE GROUP (CONTINUED)

Inactive associates (continued)

Name of company	Country of incorporation	Group's effective interest	
		2006 %	2005 %
* Ajil Minerals Sdn Bhd	Malaysia	49.0	49.0
* PKB-MMC Sdn Bhd (under creditors' liquidation)	Malaysia	49.0	49.0
* Taldy Bulak Mining Corporation	Kyrgyz Republic	40.0	40.0
* MMC Pipe and Fittings Sdn Bhd (under creditors' liquidation)	Malaysia	50.0	50.0
Associated Mines (Malaya) Sdn Bhd (in voluntary liquidation) (a 39.2% owned associate holds 51.0% and MMC Corporation Berhad holds 49.0% of this company)	Malaysia	68.9	68.9
* Tepat Teknik-VME Sdn Bhd	Malaysia	34.9	34.9
MMC Metrail Sdn Bhd	Malaysia	19.9	19.9
* M.O.S.T. Power JV Sdn Bhd	Malaysia	22.2	22.2
* Golden Solitaire (Australia) B.V (under members' voluntary liquidation)	Netherlands	59.5	59.5

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

- * Audited by firms other than PricewaterhouseCoopers, Malaysia

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 20 March 2006, the Company completed the acquisition of 170,755,002 ordinary shares of RM1.00 each in Johor Port Berhad ("JPB"), representing approximately 51.7% equity interest, for a total cash consideration of RM426.9 million satisfied entirely by cash.

Following the acquisition, pursuant to Section 33A of the Securities Commission Act, 1993 and Section 6 of the Malaysian Code on Take-Over and Mergers 1998, the Company completed its acquisition on 30 June 2006 of the remaining 159,244,998 ordinary shares of RM1.00 each, representing approximately 48.3% of equity interest in JPB, for a total cash consideration of RM398.1 million satisfied by cash.

- (b) On 18 September 2006, the Company disposed off 22,500,000 ordinary shares of RM1.00 each in Malaysia Smelting Corporation Berhad ("MSC"), representing 30.0% of the equity interest in MSC for a total cash consideration of RM106.9 million resulting in a gain of RM16.7 million.
- (c) On 30 June 2006, the Company through its wholly-owned subsidiary, Nucleus Avenue (M) Berhad ("NAB") entered into formal agreements comprising the Master Agreement, Assets Sale Agreement and Property Sale Agreements in relation to the proposed acquisition of the entire assets and undertakings of Malakoff Berhad ("Malakoff") and assuming all its liabilities for a cash consideration of RM9,307.6 million (less any available cash balances in Malakoff).

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

NAB proposed to issue ordinary shares, redeemable convertible preference shares, cumulative non-convertible Islamic Junior Sukuk, Islamic Commercial Papers and Medium Term Notes programme and Islamic Medium Term Notes programme to finance the proposed acquisition. During the financial year, approvals have been obtained from the Foreign Investment Committee, Securities Commission, the shareholders and the Economic Planning Unit. Approvals from other relevant authorities and bondholders are still pending. The proposed acquisition is expected to be completed by end of the second quarter of 2007.

45 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 2006, the settlement dates on open forward contracts are 3 months (2005: 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 2006			
Trade receivables:			
- USD 590,321	USD	2,121	1 USD=RM 3.5907
Future sales/cost of sales over the following 6 months:			
- USD 2,013,498	USD	7,152	1 USD=RM 3.5564
At 31 December 2005			
Trade receivables:			
- USD 44,029	USD	163	1 USD=RM 3.7085
Future cost of sales over the following 6 months:			
- EURO 261,250	EURO	1,196	1 EURO=RM 4.5780

The net unrecognised loss on open contracts which hedge anticipated future foreign currency sales amounted to RM35,606 (2005: RM3,396). The net exchange gains is deferred until the related sales is transacted, at which time it is included in the measurement of such transactions.

The fair value of outstanding forward contracts of the Group at the balance sheet date was at a favourable net position of RM22,655 (2005: RM32,213).

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.

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 February 2007.

shareholding statistics

as at 26 March 2007

Class of securities	: Ordinary Shares of RM0.10 each
Authorised Share Capital	: RM200,000,000.00
Issued paid-up Capital	: RM152,252,927.60
Voting rights	: 1 vote for every Ordinary Share
No. of shareholders	: 8,752

Substantial Shareholders

	Direct	No. of Shares %	Indirect	%
Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	274,009,500	18.00	-	-
Seaport Terminal (Johore) Sdn Bhd	788,054,420	51.76	-	-
Indra Cita Sdn Bhd	-	-	*788,054,420	51.76
Tan Sri Dato' Syed Mokhtar Shah bin Syed Nor	-	-	@788,054,420	51.76

Notes:

- * deemed interested through Seaport
- @ deemed interested through Indra Cita

Directors' Interest as per the Register of Directors' Shareholdings

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

Notes:

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

thirty largest shareholders

as at 26 March 2007

No	Name	No. of shares held	% of issued capital
1	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	274,009,500	18.00
2	Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seaport Terminal (Johore) Sdn Bhd (26940 JTRK)	262,000,000	17.21
3	Seaport Terminal (Johore) Sdn Bhd	260,929,420	17.14
4	AMMB Nominees (Tempatan) Sdn Bhd Exempt an for AMINTERNATIONAL (L) Ltd (AMIL CITA)	187,000,000	12.28
5	Mayban Securities Nominees (Tempatan) Sdn Bhd HSK Corporate Advisory and Consultancy Sdn Bhd for Seaport Terminal (Johore) Sdn Bhd	78,125,000	5.13
6	Permodalan Nasional Berhad	64,139,400	4.21
7	Empoyees Provident Fund Board	51,491,050	3.38
8	Mayban Nominees (Asing) Sdn Bhd The Straits Trading Company Limited (N14011200404)	15,400,947	1.01
9	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	9,953,500	0.65
10	Valuecap Sdn Bhd	8,369,800	0.55
11	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Mellow Bank (Mellon)	7,236,700	0.48
12	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A)	6,871,764	0.45
13	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	6,527,400	0.43
14	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for Fidelity Funds Malaysia	5,511,500	0.36
15	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	5,058,000	0.33
16	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Growth Fund	4,986,300	0.33
17	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for JF Asean Fund	4,962,900	0.33
18	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SG BR-TST-ASING)	4,817,700	0.32
19	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Netherlands)	4,717,000	0.31
20	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,446,000	0.29
21	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSGP for Sunnyvale Holdings Ltd	4,177,000	0.27

No	Name	No. of shares held	% of issued capital
22	SBB Nominees (Tempatan) Sdn Bhd Kumpulan Wang Amanah Pencen	3,981,100	0.26
23	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Equity Fund	3,980,000	0.26
24	HSBC Nominees (Asing) Sdn Bhd Exempt an for the Hongkong And Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	3,827,100	0.25
25	HSBC Nominees (Asing) Sdn Bhd PICTET and CIE For VKF Investment Ltd	3,822,900	0.25
26	Cartaban Nominees (Asing) Sdn Bhd Exempt an for CACETS Bank Luxembourg (CLT ACCT-LUX)	3,681,800	0.24
27	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust Company For Ishares, Inc.	3,619,100	0.24
28	HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Mgmt Sg for Employees Provident Fund	3,306,700	0.22
29	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Dividend Select Fund	2,994,500	0.20
30	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	2,906,400	0.19
Total		1,302,850,481	85.57

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	249	2.85	7,618	0.00
100 - 1,000	2,276	26.00	1,944,355	0.13
1,001 - 10,000	4,921	56.23	19,917,282	1.31
10,001 - 100,000	1,008	11.51	29,317,604	1.93
100,001 to less than 5% of issued shares	293	3.35	409,278,497	26.88
5% and above of issued shares	5	0.06	1,062,063,920	69.75
TOTAL	8,752	100.00	1,522,529,276	100.00

list of properties

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
PT 21, Persiaran Raja Chulan Kuala Lumpur	Freehold	0.61	Property development project	-	20,000	-	2000
34, Ampang Hilir Kuala Lumpur	Freehold	0.42	18 units of apartments	-	21,839	5	1994
Lot Nos. 762 & 763, Setul, District of Seremban Negeri Sembilan Darul Khusus	Leasehold	5.56	Factory building	2088	26,231	15	1992
PTD No. 2423 Tanjung Kupang District of Johor Bahru Johor Darul Takzim	Leasehold	349.04	Port terminal office buildings, commercial & industrial land	2099	1,660,321	7	2000
Lot Nos. 2424-2504, 2514, 2516, 2517, 2519-2521, Tanjung Kupang District of Johor Bahru Johor Darul Takzim	Leasehold	726.52	Commercial & industrial land	2099		-	2000
PTD No. 1586 Serkat, District of Pontian Johor Darul Takzim	Grant in perpetuity	114.92	Land for port terminal & buildings	-		-	2001
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	13.44	Container berths 1 & 2	2052	130,090	14	1992
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	-	Dangerous cargo jetty	2052	34,390	14	1992
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	112.10	Berths 7-11	2052	193,810	9	1997
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	-	Dangerous cargo jetty 4	2052	37,750	7	1999
PTD No. 163140 Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	1.98	Warehouse 10A & 10B	2052	14,310	2	2004
PTD Nos. 1836-1838, 1851 & 1357, Serkat / Sg. Karang District of Pontian Johor Darul Takzim	Leasehold	912.78	Industrial/ vacant	2103	540,000	1	2005

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting ("AGM") of members of MMC Corporation Berhad will be held at the Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Tuesday, 15 May 2007 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS

1. "THAT the Directors' Report and Financial Statements for the year ended 31 December 2006 and the Auditors' Report thereon be and are hereby received."
2. "THAT the final dividend of 8 sen per share, less tax at 27%, and 1 sen per share, tax exempt for the year ended 31 December 2006 be and is hereby approved and declared payable on 11 June 2007 to the members of the Company registered at the close of business on 22 May 2007."
3. "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' Abdullah bin Mohd. Yusof
 - b) Encik Feizal Ali."
4. "THAT the Directors' fees for the year ended 31 December 2006 amounting to RM451,554 be and is hereby approved."
5. "THAT PricewaterhouseCoopers, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed Auditors of the Company until the conclusion of the next AGM and that the remuneration to be paid to them be fixed by the Board."

SPECIAL BUSINESS

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

ORDINARY RESOLUTIONS

Authority to Allot Shares

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

Directors' Fees

7. "That the payment of Directors' Fees not exceeding RM500,000 for each financial year commencing from the financial year ending 31 December 2007 be approved."

SPECIAL RESOLUTION

PROPOSED AMENDMENTS TO ARTICLE 130 OF THE ARTICLES OF ASSOCIATION

8. "That the word "printed" appearing in line 7 be deleted and the words appearing in bold, italics and underlined be added to the existing Article 130 of the Articles of Association of the Company which shall read as follows:

Article 130

"The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the Section. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed six months. A ~~printed~~ copy of the Directors' report, balance sheet (including every document required by law to be annexed thereto) and profit and loss accounts (or income and expenditure accounts) ***in printed, CD-ROM or any other form***, shall not less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware of or to more than one of joint holders but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Company's office. The requisite number of copies of each such document as may be required shall at the same time be likewise sent to each stock exchange upon which the Company's shares are listed."

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 22 May 2007 shall be entitled to the final dividend which will be paid on 11 June 2007.

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 22 May 2007 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

Azlan bin Shahrim
Sazlin Ayesha bt Abdul Samat
Secretaries

Kuala Lumpur
23 April 2007

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A proxy form is enclosed and to be valid, must reach the Registrar, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the meeting.

Explanatory Notes to the Special business:

Ordinary Resolution No. 6
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. 7
Payment of Directors' Fees

The proposed Resolution 7, if passed, will empower the Board to pay Directors' Fees of not exceeding RM500,000 for each financial year commencing from the year ending 31 December 2007 pursuant to Article 87 of the Articles of Association of the Company.

Special Resolution No. 8
Proposed amendment to Article 130 of the Articles of Association

The proposed Resolution 8, if passed, will allow the Company to distribute a copy of the Directors' report, balance sheet (including every document required by law to be annexed thereto) and profit and loss accounts (or income and expenditure accounts) in printed, CD-ROM or any other form.

statement accompanying notice of annual general meeting

pursuant to Paragraph 8.28 (2) of the Listing Requirements
of Bursa Malaysia Securities Berhad

Details of Directors standing for re-election at the Annual General Meeting pursuant to Article 78 of the Company's Articles of Association:

Name	Dato' Abdullah bin Mohd. Yusof
Age	68
Nationality	Malaysian
Position on the Board	Independent Non-Executive Director
Date first appointed to the Board	31 October 2001
Membership of Board Committee	Audit and Nomination Committees
Working experience	As enumerated in the Profile of Directors on page 27 of this Annual Report
Occupation	Partner in the legal firm of Abdullah & Zainuddin
Any other directorships in public company	Aeon Co. (M) Berhad (Chairman), Tradewinds Corporation Berhad and Zelan Berhad
Securities holdings in the Company	NIL
Any family relationship with Directors and/or major shareholders of the Company	NIL
<hr/>	
Name	Encik Feizal Ali
Age	45
Nationality	Indian (Permanent Resident of Malaysia)
Position on the Board	Group Chief Executive
Date first appointed to the Board	24 March 2004
Membership of Board Committee	Executive Committee
Working experience	As enumerated in the Profile of Directors on page 27 of this Annual Report
Occupation	Group Chief Executive
Any other directorships in public company	Malakoff Berhad, Zelan Berhad, IJM Corporation Berhad, MMC Engineering Group Berhad, Johor Port Berhad and Nucleus Avenue (M) Berhad
Securities holdings in the Company	NIL
Any family relationship with Directors and/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 Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia on Tuesday, 15 May 2007 and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting:

No.	Resolution	For	Against
	Ordinary Business		
1	Directors' Report and Financial Statements		
2	Declaration of Dividend		
3	Re-election of Directors: (a) Dato' Abdullah bin Mohd. Yusof (b) Encik Feizal Ali		
4	Directors' fees		
5	Re-appointment of Auditors		
	Special Business		
6	Authority to Allot Shares		
7	Directors' Fees for ensuing years		
8	Amendments to Article 130 of the Articles of Association		

Dated _____

Signature _____

Number of shares held _____

NOTES:

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

fold here

affix stamp

To

The Registrar

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

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MMC on the Internet



www.mmc.com.my

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

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

MMC Corporation Berhad 30245-H
Level 8, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
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www.mmc.com.my