MMC

annual report 07

Scaling new heights

MMC continues to scale new heights and explore new frontiers of opportunity in our quest to become a premier global utilities and infrastructure group. To reach our goal, we continue to leverage on the synergies within our core Transport & Logistics, Energy & Utilities and Engineering & Construction businesses, while expanding our footprint on the international front. As we stride forward, we will undertake prudent financial management and pursue operational excellence to drive business growth and enhance shareholder value.

Vision

To be a premier

utilities & infrastructure

group **globally**

Contents

Strong 2007 financial performance

Revenue	▲ 102%
PBT	▲ 75%
PATMI & EPS	▲ 41%

Major corporate exercises completed

Acquisition of Malakoff completed in May 2007

Partial disposal of Sime Darby in first-half of 2007

Disposal of KLBK completed in March 2008

Key events

Secured RM12.485 billion double tracking project

Ground-breaking of Jazan Economic City

Investment in Jeddah Port

Development of land bank in Johor

Performance

	2004*	2004^	2005	2006	2007
Revenue	1,167	1,378	1,929	2,839	**5,722**
Profit before tax	220	459	535	581	**1,018**
Profit after tax and minority interests	116	291	381	390	**552**
Gross assets	7,294	7,485	7,908	9,997	**32,899**
Shareholders' funds	3,097	3,336	3,752	4,146	**5,861**
Market value of quoted investments	2,240	2,499	2,408	2,946	**1,593**
Pre-tax return on shareholders' funds (%)	7.1	13.8	14.3	14.0	**17.4**
Earnings per share (sen) @	5.2	12.9	15.5	12.8	**18.1**
Dividend per share (sen) @	2.5	3.0	3.0	4.5	**5.0**
Net asset per share (sen) @	137	148	123	136	**192**

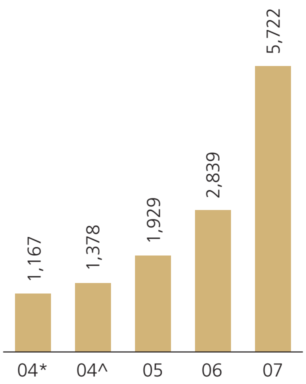
RM million unless otherwise stated

* Financial year ended 31 January 2004

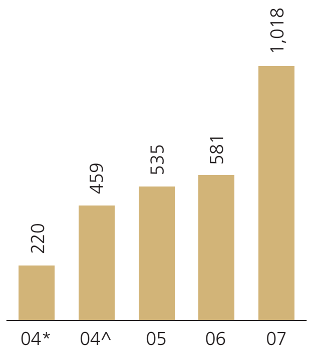
^ Financial period ended 31 December 2004

@ Based on enlarged share capital pursuant to bonus issue

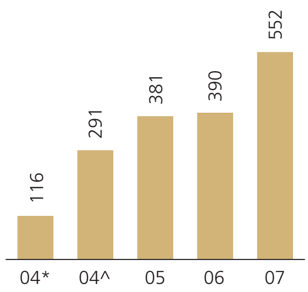
at a Glance



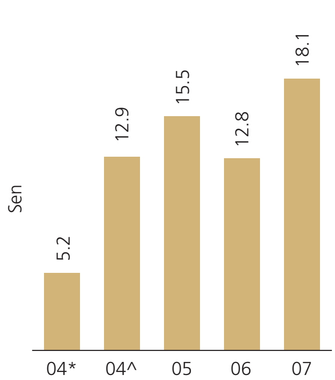
REVENUE



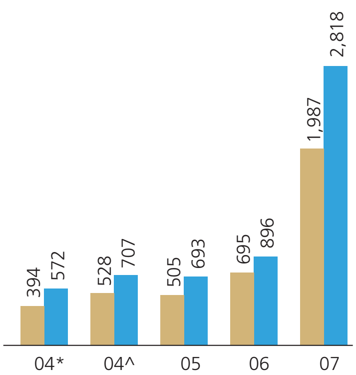
PROFIT BEFORE TAX



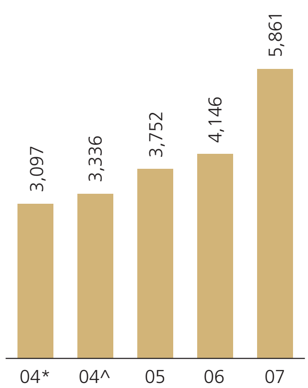
PROFIT AFTER TAX AND MINORITY INTERESTS



EARNINGS PER SHARE @



EBIT / EBITDA



SHAREHOLDERS' FUNDS

Dear Shareholder,

We posted another consecutive year of commendable results and made great strides locally and abroad. We completed the acquisition of Malakoff Berhad's businesses giving us control over Malaysia's leading independent power producer, accountable for a quarter of Peninsular Malaysia's total installed capacity. The consolidation of Malakoff Corporation Berhad's ("Malakoff") results over an eight-month period did much to bolster our financial results. We also completed the Stormwater Management & Road Tunnel ("SMART") project which has since successfully diverted floodwater away from the city on numerous occasions, preventing potential floods and quite possibly significant economic loss. We are now focusing on the RM12.5 billion northern double tracking railway project, which will radically transform the country's railway services and bring them up to par with the quality of our roads, ports and airports.

chairman's letter

Our international ventures have also made notable progress. The initial success of the US$30 billion Jazan Economic City project ("JEC") in Saudi Arabia has surpassed all expectations. Within the first year of its launch, this landmark development has already succeeded in attracting approximately US$18 billion in investments. We are expanding our presence in Saudi Arabia by leveraging on our expertise in the ports sector and investing in a new container terminal at Jeddah Port. Malakoff has also made significant progress abroad. In addition to its first overseas project, the Shuaibah independent water and power project in Saudi Arabia, last year the company also acquired power and water assets in Jordan, Oman and Algeria.

As we continue to set our sights on scaling new heights and enhancing shareholder value, I am confident that MMC is charting a clear path towards achieving its vision of becoming a premier global utilities and infrastructure group.

COMMENDABLE FINANCIAL RESULTS

Group revenue doubled to an all-time high of RM5.7 billion from RM2.8 billion previously. Group profit before tax ("PBT") increased by 75% to slightly over RM1 billion and net profit increased by 41% to RM552 million. This was mainly attributable to the consolidation of Malakoff's eight-month results, Johor Port Berhad's ("Johor Port") full-year results (compared to nine months in 2006), better results from existing operations and gains from the partial sale of our investment in Sime Darby Berhad.

Our strong performance is the result of a decision we took a few years ago to acquire strategic assets that would enhance our earnings. Excluding exceptional gains and the incremental contribution from Malakoff, net profit from our existing businesses grew by 28% driven by higher contribution from Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") and Gas Malaysia Sdn Bhd ("Gas Malaysia").

We are proposing a final dividend of 5 sen per share comprising 1 sen per share less 26% tax, 2.5 sen per share tax-exempt and 1.5 sen per share single-tier tax exempt dividend, on an enlarged share capital following our recent bonus issue. This represents a net dividend payout of RM144.3 million to shareholders, an increase of 39% over the previous year and the highest dividend payable in recent years.

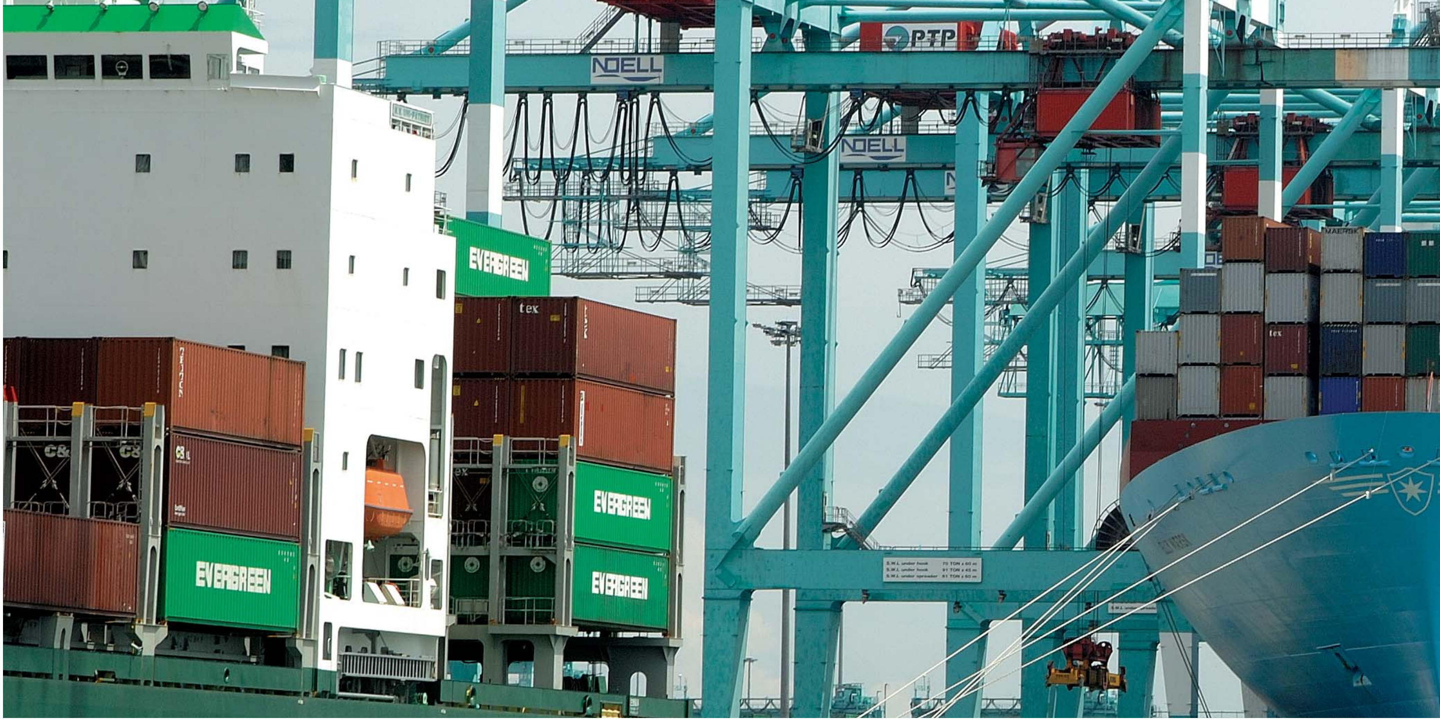
As we move forward, we will continue to focus our efforts on undertaking initiatives that will generate better returns and enhance shareholder value in the long run. More details of our results and other important aspects of our business are highlighted in the financial statements and the Management's Discussion and Analysis in subsequent parts of this annual report.

A STRONGER PORTFOLIO

Transport & Logistics

Our Transport & Logistics division continued to garner a steady flow of income for the Group. The consolidation of the full-year results of Johor Port and impressive growth at PTP helped strengthen this division's contribution to the Group's results.

PTP, Malaysia's biggest container terminal, registered a 14.5% growth in container throughput to 5.5 million twenty-foot equivalent units ("TEU"), driven by stronger regional container trade and an increase in the average sizes of vessels and the bigger loads they brought in. The Pelepas Free Zone ("PFZ") has been quite successful and has attracted more than RM3 billion in foreign direct investments, and has made a positive contributon to the economy of the state of Johor. Nearly all of PFZ's developed land has been taken up by distribution, warehousing, logistics and manufacturing tenants. Other than the rental income



they pay, PFZ's tenants are also generating increasingly healthy container volume revenue. As demand for the PFZ increases, partly due to its prime location within the Western Development Gate of the Iskandar Development Region ("IDR"), there are plans to develop additional PFZ land.

Johor Port continues to be Malaysia's leading multi-purpose port catering to virtually all types of cargo, serving as an important origination point for cargo, particularly from the adjoining hinterland. The port is aggressively improving the efficiency of its terminal operations as well as upgrading its facilities, procuring new equipment and enhancing its overall technology management and warehouse offering. Together with the complete logistics package offered by its logistics subsidiary, Johor Port continues to provide comprehensive multi-modal port and logistics services to its customers and to deliver value to the Group.

The Tanjung Bin Maritime Centre is another initiative within IDR that is set to strengthen MMC's business portfolio. In September 2007, we signed a memorandum of understanding with Dubai World to explore opportunities to jointly develop our 2,255 acres of land in Tanjung Bin into a regional maritime centre. Due to its strategic location and sea frontage of almost four km, this land has attracted a lot of interest from international oil and gas players. A maritime centre master plan is being developed which will incorporate oil terminal activities, dry docks, conventional cargo handling facilities and logistics parks.

Energy & Utilities

Throughout 2007, our Energy & Utilities division generated significant income that bolstered the Group's overall results. The consolidation of Malakoff's results over an eight-month period as well as increased contribution from Gas Malaysia gave Group results a boost.

Malakoff's effective power generation capacity increased to 5,020 MW with the full completion of its 2,100 MW Tanjung Bin power plant last August. Already Malaysia's leading independent power producer, Malakoff is continuing to explore international projects particularly in countries that are making significant investments in infrastructure development. To date, Malakoff has interests in the 900 MW and 1,030,000 m^3/day Shuaibah independent water and power project in Saudi Arabia, the Dhofar Power Company in Oman which includes a 239 MW power plant, the Central Electricity Generation

Company in Jordan with a generation capacity of 1,680 MW and a 200,000 m³/day water desalination plant project in Algeria. We envisage all these international projects contributing significantly to Malakoff's bottom line in time to come.

Gas Malaysia continued to record a commendable performance despite gas supply constraints. The company undertook continuous improvement that saw the company exceeding its targets in all areas of operations.

Engineering & Construction

The Engineering & Construction division continued to make inroads on the local and international fronts. We successfully completed the SMART project and have commenced work on the northern double tracking railway project. Our associate, Zelan Berhad ("Zelan"), continued to add several local and overseas projects to its already sizeable order book.

The SMART tunnel, the first of its kind in the world, was completed in May last year and has since been relied upon several times to divert floodwater away from entering Kuala Lumpur city. The dual-purpose tunnel has also proved successful in alleviating traffic congestion in parts of the city. This innovative project continues to receive high profile international coverage and accolades from the global engineering and construction community, and recently received the Innovation and Environmental Awards from the Malaysian Construction and Infrastructure Development Board.

The Malaysian Government has decided to reactivate the northern double tracking railway project, the largest infrastructure development project in the country, and this project will be undertaken by the MMC-Gamuda JV. This project involves the design and construction of a 329-km electrified double tracking railway line between Ipoh and Padang Besar, and will be implemented as a construction contract with progressive payments and not as a private finance initiative scheme as earlier anticipated. The implementation of this project will make rail travel a more attractive option, and reduce the country's over-dependence on its road system.

Zelan continues to strengthen its position as a leading construction company with a sizeable order book backed by local and international projects. Zelan successfully delivered on its Tanjung Bin power plant and MAS A380 Hangar contracts, and recorded 100% sales on its high-end Hampshire Residences Condominium project near the Kuala Lumpur City Centre. Zelan's international operations currently contribute approximately 50% to its revenue, and Zelan will build on projects already secured in Saudi Arabia, Indonesia and Abu Dhabi to win more projects abroad.

International Operations

Our position as an emerging global utilities and infrastructure group continues to be underscored by several significant achievements in our international operations. Our venture to develop and manage the US$30 billion JEC in Saudi Arabia has garnered faster than expected results. Within a year of its launch, the JEC has already succeeded in attracting approximately US$18 billion in investments which will include an alumina refinery and two aluminium smelters, a steel cluster and iron ore hub, an oil refinery, a port and a power plant. Our international presence is further expanding as a result of our success in securing a container terminal project in Jeddah, Saudi Arabia. This deal will further expand MMC's footprint internationally in the ports business and complement our strategic focus in Saudi Arabia and other countries in the Middle East and North Africa.

EFFECTIVE CORPORATE GOVERNANCE

MMC is committed to upholding the tenets of integrity, transparency and accountability in all our undertakings. Our board of directors and its various committees are responsible for implementing and maintaining effective corporate governance measures that serve to maximise shareholder value while protecting the interests of MMC's stakeholders. The board ensures that the Group's Corporate Disclosure Policy and other appropriate policies and procedures are strictly adhered to and that pertinent market information is delivered to all stakeholders in an accurate, timely and consistent manner. The policies and procedures that guide the way the Group directs and controls its businesses, and monitors its corporate governance measures are set out in the corporate governance report that appears on pages 36 to 41 of this annual report.

BALANCING PROFITS AND SOCIAL RESPONSIBILITY

As MMC endeavours to deliver sustainable profits, our actions are governed by the need to make business decisions that are balanced by a sense of economic, social and environmental responsibility. Part of our Corporate Social Responsibility ("CSR") undertakings in 2007 saw us supporting various humanitarian, social and educational causes. These included providing medical and other supplies to flood victims in Johor, making donations to the Bencana Alam Negeri Kedah fund and orphanages and sponsoring the distribution of the New Straits Times newspaper to 15 schools in Pahang. Details of our CSR initiatives are outlined in our CSR report on pages 48 and 49 of this annual report.

PROMISING OUTLOOK

Going forward into 2008, we expect to record a better performance from the consolidation of Malakoff's full-year results, which include contribution from all three units of its Tanjung Bin power plant, as well as contribution from our northern double tracking railway project. Our existing businesses are also expected to perform well, and with the JEC project and other international ventures set to take off, the future of the Group looks promising.

On the ports front, PTP's earnings are expected to be driven by rising container throughput, while Johor Port's growth will come on the back of its enhanced logistics capability and integrated transportation and distribution network. Both these ports and the proposed Tanjung Bin Maritime Centre are expected to reap the benefits of spin-off development from the Southern Corridor and other economic activities taking place in Southern Johor.

Within the Energy & Utilities division, we can expect Malakoff and Gas Malaysia to continue generating stable cash flows and recurring income for the Group. Malakoff's overseas ventures also hold tremendous growth potential in the long term and we see the company leveraging on its outstanding track record in building and managing power plants to grow its global power and water generation business.

Our Engineering & Construction division will focus on the northern double tracking railway project to make it a success. Projects like SMART, the northern double tracking railway project, JEC and the various engineering, procurement and construction projects by Zelan are excellent platforms to showcase our capabilities and will undoubtedly help open new doors of opportunity for us.

While we have scored some major achievements, we realise that the challenge lies in implementing these projects ahead

of schedule and within budget. As we press forward into the international arena, and pursue potential opportunities particularly in the Middle East, North Africa and South East Asia, we will continue to undertake prudent financial management and pursue operational excellence and deliver on our promises.

As MMC prepares for the next level of growth, we continue to focus on the development of our human capital including the recruitment of the best talent and minds available to help steer the Group forward. This will help ensure that all the right ingredients for success are in place while we set our sights on delivering credible performance and building sustainable shareholder value.

IN APPRECIATION

Encik Feizal Ali was reassigned from Group Chief Executive to CEO International and Encik Hasni Harun from Group Chief Operating Officer to CEO Malaysia, effective 1 March 2008. Encik Hasni was also appointed as a board and executive committee member and both executives report to the board. The assignment of our top executive to lead our international business reflects the importance of our global expansion strategy as the Group's next area of growth.

We wish to record our appreciation to Encik Feizal Ali for leading the Group since 2006 and give our best wishes to Encik Hasni Harun who now has overall responsibility over the Group's Malaysian operations.

On behalf of the MMC team, my utmost gratitude goes to you, our shareholders, for your continued faith in and support of MMC. Our appreciation also goes to MMC's business associates, financiers and clients for working steadfastly with us to take the Group to new heights. Our thanks also go to the chief executives of our subsidiaries for delivering on their commitment to perform and for continuously challenging themselves and their teams to raising the bar, year after year. Our success would not have been possible without the resolve and dedication of our management and employees – thank you for your sacrifices and contribution. Last but not least, I wish to thank my esteemed colleagues on the board for their guidance and counsel.

On behalf of the board, I would like to record our sincere appreciation to Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin who stepped down as a director on 15 May 2007. We thank Datuk Zaidee for his invaluable contribution to the board these last five years and we are pleased that he is continuing to contribute to the Group as Chairman of our Oil & Gas division. In his place, we welcome on board Encik Ahmad Jauhari Yahya, the Managing Director/ Chief Executive Officer of Malakoff, who brings with him a wealth of experience in the energy and utilities business. We look forward to his counsel and contribution.

We trust that all our stakeholders will continue to lend us their unwavering support as we continue driving this great company onward to new heights of success.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman
March 2008

Malaysian Operations

Transport & Logistics	Energy & Utilities	Engineering & Construction
70% **Pelabuhan Tanjung Pelepas** *Container Port and Logistics Hub*	51% **Malakoff** *Power & Water Generation*	50% **MMC – Gamuda JV** *Double Tracking Railway Project*
100% **Johor Port** *Multi-purpose Port and Logistics Operations*	41.8% **Gas Malaysia** *Natural Gas Distribution*	39.2% **Zelan** *Investment Holding*
50% **SMART** *Toll Road Operations of the SMART Tunnel Motorway*	99.9% **MMC Oil & Gas** *Design Engineering Services*	100% **Zelan Construction** *Power Plant Construction*
	69.9% **Tepat Teknik** *Steel Fabrication Works*	9.6% **IJM** *Major Infrastructure Works*
	51% **Recycle Energy** *Waste Management and Renewal Energy*	

Others

20.1% **Integrated Rubber Corporation** *Manufacturing & Trading of Rubber Gloves*

52.9% **Kramat Tin Dredging** *Refocusing Business*

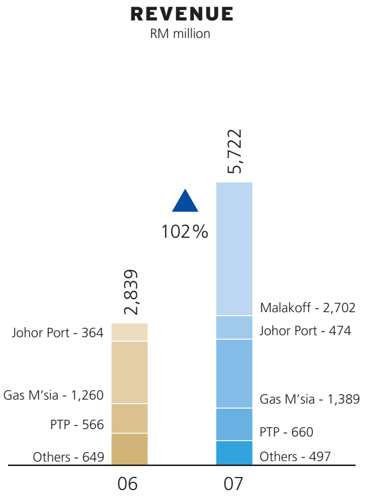
75.6% **Seginiaga Rubber industries** *Weatherstrip Manufacturing*

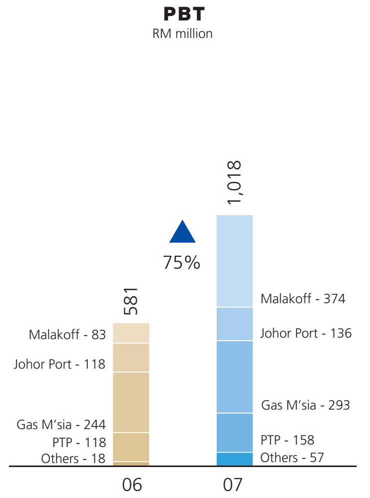
% Figure denotes percentage of Group's interest, except in the case of Zelan Construction and IJM

md&a

We made excellent strides forward in our core businesses in 2007. We posted new financial highs, divested non-core assets and expanded our international footprint. Today, MMC is a stronger and leaner entity that is rapidly realising its vision of becoming a premier global utilities and infrastructure group. We will continue to set the pace in the various business segments and markets that we operate in whilst attracting new business partners and talent to help us reach new heights.

consolidated operations





Group revenue increased two-fold to RM5.7 billion in 2007, the highest in MMC's history. Our PBT grew by 75%, transcending the RM1 billion mark, while our net profit rose by 41% to RM552 million. This was mainly attributable to the consolidation of Malakoff's eight-month results, Johor Port's full-year results (compared to nine months in 2006), better results from existing operations and gains from the partial sale of our investment in Sime Darby. Excluding exceptional gains and the incremental contribution from Malakoff, net profit from our existing businesses grew by 28%, primarily due to higher contribution from PTP and Gas Malaysia.

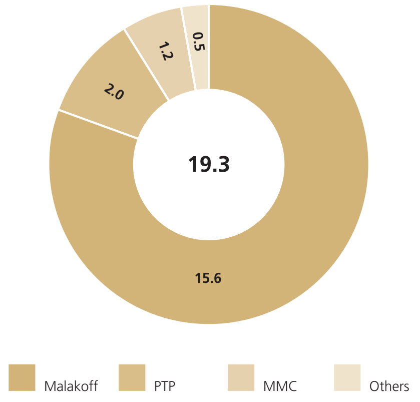
The asset acquisition strategy which we put in place some years back to enhance the Group's earnings is clearly bearing fruit. Going forward, we will continue growing the Group's businesses through organic growth and strategic asset acquisitions that enhance shareholder value.

LIQUIDITY

The Group ended the year with RM3.3 billion in cash and deposits, significantly higher than RM666 million in the previous year. We have sufficient cash flow to comfortably cover our debt service requirements and undertake current and new projects. Our subsidiaries have ample 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, including our remaining investment in Sime Darby, and ready access to the capital markets give us financial flexibility to fund the future growth of our businesses.

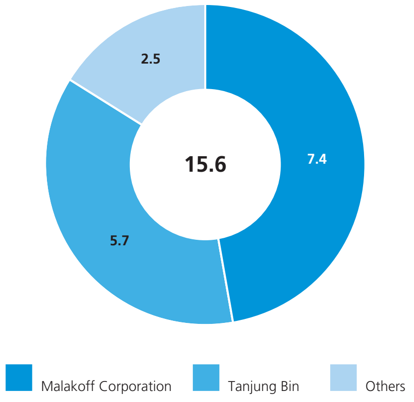
MMC GROUP'S BORROWINGS

RM billion



MALAKOFF GROUP'S BORROWINGS

RM billion



BORROWINGS

As at 31 December 2007, the Group's total borrowings stood at RM19.3 billion, representing a net gearing of 2.7 times, comprising the following:

- RM1.2 billion at the holding company (net gearing of 0.27 times)
- RM15.6 billion at Malakoff
- RM2 billion at PTP
- RM109 million at Johor Port
- RM64 million at Gas Malaysia
- RM280 million at other operating companies

Despite the significant increase in borrowings from the previous financial year, our subsidiaries have adequate debt servicing capacity and the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA")/interest expense remains strong at 2.9 times. Other than the debt of RM50 million taken by Recycle Energy Sdn Bhd ("Recycle Energy"), none of the debt at the other operating companies have recourse to the holding company.

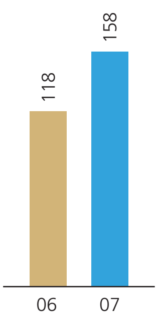
DIVESTMENT OF NON-CORE ASSETS

We continued to dispose of our non-core businesses to focus our efforts on our core businesses. We reduced our investment in Sime Darby to 36.3 million shares, resulting in a gain of RM85.5 million and disposed of our entire stake in Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd, resulting in a gain of approximately RM43 million. The proceeds from these disposals were largely used to reduce our borrowings. We will continue to reduce our portfolio of non-core assets to further reduce our debt at the holding company and grow our core businesses.

transport & logistics

PTP

Revenue
RM million



PBT
RM million

PORT OPERATIONS

PTP recorded a 17% growth in revenue to RM660 million on the back of a 14.5% increase in container throughput from 4.7 TEU to 5.5 million TEU. Stronger regional container trade, especially the Asia-Europe route, helped drive business growth while an increase in the average sizes of vessels and the bigger loads they brought helped boost marine income. These factors together with efficiencies achieved through various cost-saving initiatives implemented throughout the year led to a 34% increase in PBT to RM158 million. Net profit increased by 27% to RM115.7 million.

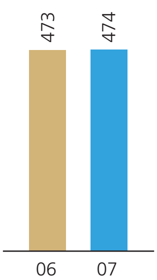
To maintain its competitive edge as well as to keep up with rising demand, PTP is continuing to expand its capacity. PTP will add another two berths to its current 10 berths which will increase its throughput capacity to 9 million TEU in 2009. At the same time, PTP is enhancing its connectivity to and from new growth areas in the South East Asian region to solidify its strategic position as a key crossroad in the global shipping network.

The strategically-located PFZ at PTP continues to exceed expectations with nearly all of its current developed land taken up by parties involved in regional distribution, warehousing, logistics and manufacturing activities. In 2007, container volume revenue from PFZ's tenants increased by as much as 20%. In response to increasing demand for PFZ land, in part due to its strategic location and close proximity to the IDR, new tracts of land will be made available.

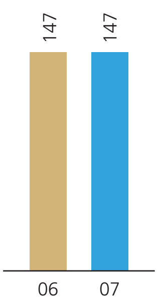
Going forward, PTP will endeavour to maintain its position as Malaysia's most advanced and efficient container terminal and will work at becoming the "Preferred Port of Choice in South East Asia" by leveraging on its strategic location, competitive rates, enhanced capacity and connectivity as well as world-class terminal management and operational efficiency. PTP is expected to report better earnings this year driven by rising regional container throughput.

PTP, Malaysia's biggest container terminal, registered a 14.5% growth in container throughput to 5.5 million TEU, driven by stronger regional container trade, an increase in average sizes of vessels and the bigger loads they brought in.

Johor Port



Revenue
RM million



PBT
RM million

Johor Port recorded a marginal increase in PBT to RM147.3 million on the back of a marginal revenue growth to RM474 million despite handling a 6% lower throughput of 25.3 million freight weight tonne ("FWT") in 2007. Net profit, however, increased by 26% to RM136.6 million due to a reversal of deferred tax liabilities of RM26.4 million as a result of a change in tax rates.

Johor Port's container terminal recorded a 5% growth in container throughput to 927,000 TEU as a result of higher imports and transhipment volume and due to several enhancements made to its terminal infrastructure and equipment. These initiatives helped draw in two new main liners, TS Line and Cheng Li, resulting in a total of 23 main liners currently calling at the port. The port's bulk and break bulk terminal, however, registered a 5% drop in throughput mainly attributable to lower liquid bulk and dry bulk cargo volume, partially offset by a 16% increase in break bulk cargo volume. The bulk and break bulk terminal has added several infrastructural as well as operational enhancements to its offering as part of its continuous improvement programme.

We consolidated Johor Port's full-year results for the first time last year and we foresee the port continuing to provide MMC with steady annual cash flows and a wider foothold in the high-growth Southern Johor region. Besides improving the efficiency of its terminal operations through better berth utilisation and faster turnaround time as well as more effective use of port equipment and human capital, the port is also upgrading its facilities, procuring new equipment and enhancing its overall ICT management and warehouse offering. Together with logistics subsidiary, JP Logistics Sdn Bhd's offer of a complete logistics package, Johor Port continues to be a serious contender for both container and bulk business in this region.

Going forward, the port's container terminal will aim to aggressively promote its services to new markets, while the bulk and break bulk terminal will expand its current customer base by focusing on high value cargo and commodities. We envisage sustainable growth for Johor Port on the back of its offer of an enhanced logistics capability and strong integrated transportation and distribution network.

The Group is exploring opportunities to tap into new revenue streams through developing our 2,255-acre land bank located opposite PTP and next to the Tanjung Bin power plant. We have set our sights on turning the Tanjung Bin land bank into a regional maritime centre which will incorporate oil terminal activities, dry docks, conventional cargo handling facilities and logistics parks. Interest in this land has picked up dramatically following the launch of the IDR, particularly from oil & gas companies, and we are working towards turning the area into a successful world-class regional maritime centre.

With the IDR continuing be a major catalyst for increased economic activity and foreign direct investment in South Johor, we expect our businesses there to reap the benefits of spin-off development. Both PTP and Johor Port (as well as the proposed Tanjung Bin Maritime Centre in time to come), will undoubtedly benefit from the anticipated surge of growth in hinterland cargo throughput, higher demand for our end-to-end logistics solutions and increased usage of our integrated transportation and distribution network.

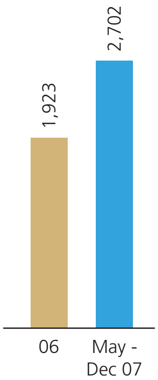
SMART CONCESSION

The SMART tunnel was opened to the public in May 2007 and we commenced collecting toll in June. The tunnel's main purpose is to alleviate floods in parts of Kuala Lumpur, and since commencing operations, the tunnel has successfully diverted floodwater away from entering the city centre on numerous occassions. For MMC, this project demonstrates the ability of Malaysian companies to conceptualise and bring to fruition a unique project that has come to be accepted as the first of its kind in the world.

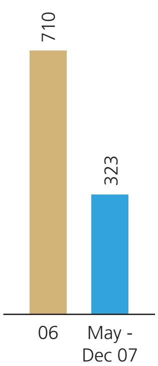
We have a 40-year concession to collect toll on the four-km motorway that runs within the upper and middle sections of part of the tunnel. The motorway runs beneath a very busy part of the city and offers motorists a faster southbound route out of the city and an alternative northbound route into the city and into popular destinations like the Golden Triangle. In 2007 the motorway handled an average of 30,000 vehicles a day and we expect a steady increase in traffic growth over time driven by the growth in the number of vehicles in the city and an increasing preference for motorists to seek quicker alternative routes.

energy & utilities

Malakoff



Revenue
RM million



PBT
RM million

POWER AND WATER GENERATION

For the eight-month period from May to December 2007, Malakoff recorded a revenue of RM2.7 billion, a PBT of RM323.8 million and a net profit of RM217.3 million. There are no corresponding figures for the prior year as the acquisition of Malakoff Berhad's businesses was completed on 30 April 2007.

With the completion of the third and final unit of the Tanjung Bin power plant on 31 August 2007, Malakoff's domestic effective power generation capacity has increased to 5,020 MW, representing a quarter of West Malaysia's generation capacity, extending Malakoff's position as Malaysia's leading independent power producer. We expect Malakoff to deliver a better performance in 2008 primarily due to the full-year contribution from the third unit of the Tanjung Bin power plant.

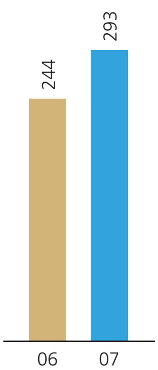
Malakoff's international projects are also making significant headway. Construction of the 900 MW and 1,030,000 m3/day Shuaibah independent water and power plant in Saudi Arabia is proceeding well with commercial operations targeted for July 2009. The project to develop, construct and operate a 200,000 m³/day seawater desalination plant in Algeria achieved financial close in January and construction has commenced with commercial operations targeted in 2010.

Malakoff's consortium completed the acquisition of a 51% interest in Jordan's Central Electricity Generation Company ("CEGCO") in October 2007. CEGCO is Jordan's largest electricity provider with an effective generation capacity of 1,680 MW. Malakoff also recently acquired a 20% interest in the Dhofar Power Company in Oman and both these assets will start contributing to our Group this year.

Malakoff has an effective generation capacity of 5,020 MW in Malaysia, which accounts for a quarter of Peninsular Malaysia's total installed capacity.

Gas Malaysia

Revenue
RM million



PBT
RM million

Malakoff will continue to expand its footprint in the West Asian region and beyond and will leverage on its outstanding track record in building and managing power plants to grow its global portfolio and revenue streams.

NATURAL GAS DISTRIBUTION

Gas Malaysia continued to record a strong performance chalking up a 10% growth in revenue to RM1.4 billion, driven by a 10% increase in sales volume to 106.5 million mmBtu. PBT rose by 20% to RM292.8 million although net profit dropped by 7% to RM230 million as a result of a higher tax payable due to a lower investment tax allowance.

The constraint in gas supply continues to be a major challenge faced by Gas Malaysia and at present the company is not in a position to sign on any new customers. Last year existing customers contributed 98% of the volume of total gas supplied and Gas Malaysia completed only 48.3 kilometres of pipelines compared to 185 kilometres during the previous year, to supply customers which had already signed on before the company faced the restriction in gas supply. Pending the resolution of this gas supply constraint issue, Gas Malaysia is expected to record minimal growth going forward.

Despite this constraint, Gas Malaysia has successfully recorded double-digit growth in sales volume and revenue generation over the last five years, reflecting continuous improvements and cost-saving initiatives undertaken by the company. Gas Malaysia's strong financial position earned the company an upgrade by the Malaysian Rating Corporation from "AA+" to "AAA", the highest rating achievable by a company in Malaysia, and usually reserved for reputable blue chip companies.

engineering & construction

ENGINEERING SERVICES & CONSTRUCTION

MMC's Engineering & Construction division faced a challenging year, posting a lower revenue of RM177 million compared to RM307 million during the previous year and a loss before tax of RM3 million compared to a PBT of RM8 million. This decline was principally due to lower billings due to the completion of the SMART project in May 2007.

The SMART project's dual-function concept is the first of its kind in the world and the project has garnered awards and accolades from the global engineering and construction community as well as high profile international coverage. Last year this project also received the Innovation and Environmental Awards from the Malaysian Construction and Infrastructure Development Board.

Following the completion of the SMART project, this division is currently focusing on the RM12.5 billion northern double tracking railway project spanning 329 km from Ipoh to Padang Besar, and is making excellent progress, performing site clearing and ground treatment works, and relocating fibre optic cables on site. The development of a double-tracked railway system will have a significant positive socio-economic impact to the country, particularly to the economies of Perak, Penang, Kedah and Perlis, benefit businesses in a multitude of industries and open up new corridors for development. To-date approximately RM1 billion worth of sub-contracts and supply contracts have been awarded, with more packages due to be contracted out soon. For MMC, this project will provide us with a strong order book of RM6.2 billion and a stable income stream for the next five years.

international operations

POWER PLANTS AND INFRASTRUCTURE

Zelan changed its financial year end from 31 January to 31 March with effect from this year. For the eleven-month period ended 31 December 2007, Zelan reported a revenue of RM843 million, 31% higher than RM641 million reported for the twelve-month period ended 31 January 2007. PBT increased by 15% to RM139.5 million and net profit increased by 41% to RM115.5 million. This improved performance is mainly due to the successful completion of the Tanjung Bin power plant and the MAS A380 Hangar projects, and higher contribution from overseas projects from Zelan's engineering & construction unit and the Hampshire Residences.

On the international front, Zelan was part of consortiums that successfully secured several contracts including the RM2 billion EPCC contract for two 300 MW to 400 MW coal-fired power plants in Rembang, Indonesia, a RM938 million contract relating to the Shuqaiq 2 independent water desalination and power plant project in Saudi Arabia; and more recently, the AED925.3 million contract for the Meena Plaza in Abu Dhabi. The company will continue to focus on the execution of international projects while undertaking selective bidding for local and overseas projects.

6.1%
Shuaibah, Saudi Arabia
Independent water & power plant
1,030,000 m^3/day / 900 MW

18.2%
Tlemcen, Algeria
Water desalination project
200,000 m^3/day

10.2%
Dhofar, Oman
Electricity Utility Company
239 MW

6.5%
Central Electricity Generation Company, Jordan
Power Generation
1,680 MW

20%
Jeddah Port, Saudi Arabia
Concession to develop and operate the third container terminal at Jeddah Islamic Port

Jazan Economic City

50%*
Jazan Port, Saudi Arabia
Industrial port at Jazan Economic City

20%
Aluminium Smelter, Saudi Arabia
Aluminium smelter at Jazan Economic City

50%
Jazan Power, Saudi Arabia
4,680 MW power plant at Jazan Economic City

* to be determined

Going forward, Zelan's revenue is expected to come from projects secured in Saudi Arabia, United Arab Emirates, India and Indonesia. Revenue from projects in Malaysia will decrease with the successful completion of the Tanjung Bin power plant and the MAS A380 Hangar projects. Considering Zelan's enhanced order book of RM4.8 billion and businesses pursued both locally and overseas, we expect Zelan to record an improved performance this year.

INTERNATIONAL OPERATIONS

When the JEC project was launched in November 2006, it was envisaged that the project would attract US$30 billion in investments over a period of 25 years. Within one year of its launch, the project had already attracted approximately US$18 billion in investments. This is indeed a significant achievement. Among the industries that will be set up in JEC include two aluminium smelters, an alumina refinery, and a steel mill and iron ore hub. JEC's master plan also provides for a refinery, a primary metal processing and fabrication facility, as well as an agro-based industry.

Together with our partners, the Saudi Binladin Group, we have signed an agreement with Aluminum Corporation

of China Limited to develop, own and operate a US$3 billion aluminium smelter with an annual production capacity of approximately one million metric tons. A US$2 billion power plant with a generation capacity of 1,860 MW will be built to meet this smelter's needs and MMC intends to own a majority stake in this power plant which will eventually form part of a larger 5,000 MW power plant complex. While this is a major undertaking for the Group, it is an attractive investment that meets our risk profile and will ensure a significant recurring income stream for us. We anticipate construction of the aluminium smelter and power plant to begin by early next year.

The ground-breaking ceremony of JEC was held in November 2007, marking the beginning of construction work. The marketing complex is currently being built and is expected to be completed by year end.

MMC scored another major win in Saudi Arabia when we secured the rights to jointly develop and operate a container terminal at Jeddah Port. This new terminal will have a capacity of 1.5 million TEU and cater to the underlying need for increased container handling facilities in Jeddah arising from strong growth in the region. The terminal will provide a direct outlet for the import/export business for Jeddah's hinterland and also attract hub and spoke and relay transhipment. This deal will further expand MMC's footprint internationally, especially in the ports business. It will also complement our strategic focus in Saudi Arabia and other countries in the Middle East and North Africa. We intend to leverage on our experience in developing and managing our two Malaysian ports and replicate this success across one of the most dynamic regions in the world.

PROSPECTS

Going forward, we will continue to build upon the strong foundations that we have laid while pursuing more focused growth on both the local and international fronts. Our ports in Southern Johor are expected to provide strong growth platforms for the Group as they mature, develop and tap into the many opportunities that the IDR and growing world trade offer. The impending creation of the Tanjung Bin Maritime Centre will also strengthen our footprint in this area. We expect the Energy & Utilities division to continue contributing stable cash flows and earnings via Malakoff and Gas Malaysia's operations. We envisage that Malakoff will leverage on its current portfolio to grow its global power and water generation businesses. Our Engineering & Construction division will primarily focus on the northern double tracking railway project to make it a successful venture. The success of the SMART project, our involvement in the northern double tracking railway project and the fast-tracking of the JEC has undoubtedly pushed us into the limelight as a rapidly-emerging global utilities and infrastructure player. We intend to deliver on our promises and will leverage on our track record to open up new doors of opportunity for our businesses.

As the Group prepares to embrace new opportunities and the next level of growth, we will continue to direct our resources and our investments in a prudent manner to produce superior shareholder returns. I look forward to the support of all our stakeholders as MMC endeavours to scale new heights.

Feizal Ali
CEO International
March 2008

SEATED, FROM LEFT

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

Dato' Abdullah bin Mohd Yusof

Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Chairman

Feizal Ali
Chief Executive Officer International

STANDING, FROM LEFT

Hasni Harun
Chief Executive Officer Malaysia

Halim Haji Din

Ahmad Jauhari bin Yahya

Datuk Mohd Sidik Shaik Osman

board of

directors

Profile of Directors

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN

Chairman

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, 68, was appointed as a 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.

FEIZAL ALI

Chief Executive Officer International

Encik Feizal Ali, 46, was appointed to the board on 24 March 2004 and assumed the position of Chief Executive Officer International on 1 March 2008. He is also a member of the Executive Committee of the board.

Encik Feizal Ali joined the Company as the Special Advisor to the Chairman in September 2001 and in December 2001 assumed the post of Group Chief Financial Officer. He was promoted to the position of Group Chief Operating Officer in March 2004 and Group Chief Executive in September 2006, before assuming the role of CEO International in March 2008. Prior to joining MMC, he was the Vice President-Finance of Commerce Dot Com Sdn Bhd (1999-2001), Chief Financial Officer of Pelabuhan Tanjung Pelepas Sdn Bhd (1996-1999) and General Manager, Finance of Prolink Development Sdn Bhd (1994-1996).

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

Encik Feizal is a board member of Malakoff Berhad, Malakoff Corporation Berhad, Zelan Berhad, Johor Port Berhad and IJM Corporation Berhad.

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

HASNI HARUN

Chief Executive Officer Malaysia

Encik Hasni Harun, 50, was appointed as Chief Executive Officer Malaysia and a board member on 1 March 2008. He is also a member of the Executive Committee.

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

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

Encik Hasni is a Malaysian citizen and also sits on the boards of EON Capital Berhad, EON Bank Berhad, MIMB Investment Bank Berhad, EONCAP Islamic Bank Berhad, MMC Engineering Group Berhad, Malakoff Corporation Berhad and several private limited companies. He is an alternate director of Encik Feizal Ali on the boards of Johor Port Berhad, IJM Corporation Berhad and Zelan Berhad.

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 Audit and Remuneration Committees of the board.

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

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

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

DATO' ABDULLAH BIN MOHD YUSOF

Senior Independent Director

Dato' Abdullah bin Mohd Yusof, 68, joined the board on 31 October 2001. He is a member of the Audit and Nomination Committees and is the Senior Independent Director of the board.

Dato' Abdullah is a partner in the legal firm of Abdullah & Zainuddin. He is also the Chairman of Aeon Co. (M) Berhad and Aeon Credit Service (M) Berhad, and a board member of Tradewinds Corporation Berhad and Zelan Berhad.

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

HALIM HAJI DIN

Indepedent Director

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

Encik Halim is a chartered accountant who spent more than 30 years working for multinational corporations and international consulting firms. He accumulated 18 years of experience working in the oil and gas industry - 6 years 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 Malaysian citizen and a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

DATUK MOHD SIDIK SHAIK OSMAN

Datuk Mohd Sidik Shaik Osman, 59, was appointed to the board as a non-independent director on 23 January 2003 and is a member of the Remuneration and Executive Committees.

Upon graduation, Datuk Mohd Sidik served as Assistant Secretary, Ministry of Trade & Industry from 1974 until 1979 and was subsequently appointed Principal Assistant Secretary, Ministry of Transport (Port Division) in 1979, a position he served until 1987. Whilst serving the Ministry of Transport, he took study leave and obtained a Masters of Science (Maritime) degree from the World Maritime University, Sweden.

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

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

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

AHMAD JAUHARI BIN YAHYA

Encik Ahmad Jauhari Yahya, 53, was appointed to the board as a non-independent director on 23 May 2007.

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

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

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

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

Management Team

center (seated)
FEIZAL ALI
Chief Executive Officer International

right (seated)
HASNI HARUN
Chief Executive Officer Malaysia

left (seated)
YOONG NIM CHEE
Director, Corporate Affairs

from left
MOHAMED SOPHIE RASHIDI
General Manager, Finance

AZLAN SHAHRIM
Senior General Manager, Corporate Services

MABEL LEE KHUAN EOI
Senior General Manager, Corporate Planning

ZAINUDIN ISMAIL
General Manager, Human Resource

VINCENT CHIU HUO SIONG
General Manager, Contract Management & Procurement

ELINA MOHAMED
Group Legal Adviser

audit committee report

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

MEETINGS

Meetings are scheduled at least four times a year, and will normally be attended by both Chief Executive Officers, 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. Last year, the audit committee met once with the external auditors in the absence of management. The audit committee will meet the external auditors twice a year from this year onwards as required under the revised Malaysian Code of Corporate Governance. The auditors, both internal and external, may request additional meetings if and when considered necessary.

The Company Secretary acts as secretary to the audit committee. Minutes of each meeting are distributed to each board member and the Chairman of the audit committee reports key matters discussed at each meeting to the board. The audit committee had five meetings during the last financial year and the external auditors attended all but one of the 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.

HALIM HAJI DIN

Chairman

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

DATO' ABDULLAH BIN MOHD YUSOF

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 the 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 Malaysia on any matters reported by Bursa Malaysia to the board of directors which have not been satisfactorily resolved, resulting in a breach of the listing requirements.

xiii Review audit reports of subsidiaries after they have been reviewed by the audit committee or board of directors of those subsidiaries.

xiv 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 action has been taken and is achieving the desired results.

SUMMARY OF ACTIVITIES

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

- Reviewed and approved the internal audit plan for 2008. In its review, the audit committee reviewed the scope and coverage of the activities of the respective business units of the Group and Ernst & Young's basis of assessment and risk rating of the proposed audit areas.
- Reviewed the minutes of audit committee meetings of Gas Malaysia Sdn Bhd, Pelabuhan Tanjung Pelepas Sdn Bhd and Johor Port Berhad.
- Reviewed the audit strategy and scope for statutory audits of the Group accounts with the external auditors.
- Reviewed the unaudited quarterly financial statements and the audited accounts of the Company and the Group and recommended the same to the board.
- Reviewed the findings of the external auditors and followed up on the recommendations.
- Reviewed the performance/ operations audit of subsidiaries and made appropriate recommendations.
- Reviewed and appraised the adequacy and effectiveness of management response in resolving the audit issues reported.
- Held discussions with the external auditors without the presence of management to ensure an adequate level of cooperation between the external auditors and management.
- Reviewed the processes and investigations undertaken by Ernst & Young and the internal auditor, the audit findings and risk analysis on each audit assignment and emphasised on follow-up audits to ensure that appropriate corrective action is taken and audit recommendations are implemented.

Other main issues discussed by the audit committee were as follows:

- Reviewed related party transactions to ensure that they are fair and reasonable and are not to the detriment of minority shareholders.
- The Annual Report for 2006 in respect of the following:
  - Audit Committee report;
  - Corporate Governance Statement; and
  - Statement on Internal Control.
- Reviewed and recommended appropriate actions on minor internal investigations.

EMPLOYEES' SHARE OPTION SCHEME

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

Statement on Corporate Governance

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

DIRECTORS

The Board

The Company is led by a board of directors which is responsible to the shareholders for the management of the Company. The board 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 compared against those budgets. A total of seven board meetings were held in 2007 and all directors attended more than half of these meetings.

The roles of the Chairman and the Chief Executive Officers are kept separate and specific terms of reference are set for these positions to ensure that their roles are clearly distinguished. The board continues to carry out the principal stewardship responsibilities which it explicitly assumed in 2002, 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. However, with the appointment of Encik Hasni Harun as a director on 1 March 2008, the board requires an additional independent director to meet the one-third independent director rule, and the board is in the process of ensuring that this requirement is met by 31 May 2008. Currently, two out of eight board members are independent directors who are able to bring an independent judgment to bear on issues of strategy, performance and resources of the Group. Overall, the board comprises a good mix of members with the necessary expertise and experience that are relevant to and support the growth of our businesses.

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

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

Supply of Information

The board 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 in the appropriate quality to enable the directors to discharge their duties effectively, and due notice is given to directors with regard to issues to be discussed. The quality and manner in which information is provided to the board is reviewed annually as part of the board's evaluation process. Resolutions are 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. There is an agreed procedure in place for directors to acquire independent professional advice to ensure that the board functions effectively. All directors have access to the advice and services of company secretaries whose appointment and removal is a matter for the board as a whole. The company secretaries are responsible for ensuring that board procedures are followed and for advising 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. Last year the committee recommended the appointment of Encik Ahmad Jauhari bin Yahya, the Managing Director/CEO of Malakoff Corporation Berhad, to the board following the resignation of Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin in May 2007. The committee also recommended Tan Sri (Dr.) Wan Abdul Rahman bin Wan Yaacob and Encik Halim Haji Din to fill the seats on the audit and nomination committees respectively which were vacant following Datuk Ahmad Zaidee's resignation. The board has also agreed to the appointment of Encik Hasni Harun as a board and executive committee member.

DIRECTORS' TRAINING

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

1. Principles of Stress Management jointly organised by MMC, DRB-Hicom and Tradewinds;

3. Appraising Board Performance organised by the Harvard Club of Malaysia;

4. Strategic Brand Management organised by the Harvard Club of Malaysia;

5. Asia Pacific Audit and Governance Summit 2007 organised by Columbus Little Governance; and

6. The 24th TAR Lecture jointly organized by TAR College and the Malaysian Institute of Management.

Directors also made site visits to the Group's operations to have a better perspective and understanding of the Group's various businesses.

Re-election

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

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

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

Disclosure

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

Category	Fees (RM)	Salaries and emoluments (RM)	Meeting & other allowances and Defined contribution plan (RM)	Benefits in kind (RM)
Executive Directors	–	1,353,000	199,261	104,361
Non-Executive Directors	481,171	–	187,250	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	–	2*
RM50,000 to RM100,000	–	3
RM100,001 to RM150,000	–	2
RM1,650,000 to RM1,700,000	1	–

* A director resigned on 15 May 2007

SHAREHOLDERS

Dialogue between the Company and Investors

The Company continues to meet with research analysts, fund managers and institutional investors, from both the local and international investment community. Last year, senior management also went on an international non-deal equity roadshow and participated in investor conferences to provide updates on the latest developments within the Group.

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

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

THE AGM

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Internal Control

The board is responsible for reviewing the adequacy and integrity of the Company's internal control system. The board ensures that the Company has appropriate policies and procedures, a risk management system, financial authority limits, as well as internal audit to safeguard the shareholders' investment and the Company's assets. The board reviews the effectiveness of the system of internal controls through the audit committee which oversees the work of the internal audit division and comments made by the external auditors in their management letter and internal audit reports.

Relationship with Auditors

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

BOARD COMMITTEES

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

The executive committee comprises two executive directors and two non-executives directors. The committee is responsible for strategic and operational plans which fall within their level of authority. Meetings are scheduled monthly except during the months where board meetings are held. This will allow matters that fall within the committee's terms of reference to be deliberated and decided by the committee, thus reducing the board's agenda. During the year, the committee reviewed the terms and conditions of service for employees with the aim of developing a motivating compensation policy. The committee also proposed to the board new compensation packages for expatriates 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. It also reviews the size and composition of the board to ensure that it consists of the best mix of talents most effective to run the company.

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

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

Details on the audit committee appear in the audit committee report which appears on pages 32 to 35 of this annual report.

BOARD AND COMMITTEE MEETINGS

Attendance Record of Board Members

Set out below is the attendance record of the board members for board and committee meetings for 2007:

No.	Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
1.	Dato' Wira Syed Abdul Jabbar bin Syed Hassan	7/7		1/1	1/1	3/3
2	Encik Feizal Ali	7/7				3/3
3.	Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob	7/7	4/4		1/1	
4.	Dato' Abdullah bin Mohd Yusof	7/7	5/5	1/1		
5.	Encik Halim Haji Din	7/7	5/5	1/1		
6.	Datuk Mohd Sidik Shaik Osman	7/7			1/1	3/3
7.	Encik Ahmad Jauhari bin Yahya*	3/5				
8.	Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin^	2/2	1/1			

Encik Hasni Harun was appointed as a board and executive committee member effective 1 March 2008.
All directors attended more than 50% of the meetings held in 2007.

Notes

* Number of meetings attended from 23 May 2007 onwards, the date he was appointed as a director

^ Number of meetings attended until 15 May 2007, 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 two associate companies, Zelan Berhad and Integrated Rubber Corporation Berhad, have not been included as part of the Group for the purpose of this Internal Control Statement. However, these companies are listed on Bursa Malaysia and would comply with this reporting requirement in their own right.

GROUP RISK MANAGEMENT FRAMEWORK

The 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 alert to any situation that might affect its assets, and ultimately, profits.

RISK ASSESSMENT TOOL SYSTEM

The Group's risks are monitored and updated constantly by their 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 reports and submitted to the Director, Corporate Affairs and the Chief Executive Officers 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, for approval at company level, before being reviewed by the executive committee and/or the board.

- Monthly performance reports, benchmarked against budgets and objectives, are regularly provided to directors and discussed at executive committee and/or board meetings.

- Monitoring of performance, including discussion of any significant issues at regular meetings with heads of business units.

- Board representation in companies in which MMC has a material interest, to facilitate the performance review of these companies.

- Periodic reviews by the internal auditor, providing an independent assurance on the effectiveness of the Group's system on internal control and advising management on areas 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 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.

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

Board of Directors	Oversight responsibilities over all risks
Chief Executive Officers **Director, Corporate Affairs**	Responsible for management of strategic risks for MMC with oversight responsibilities over the risks in MMC and key risks in all business units

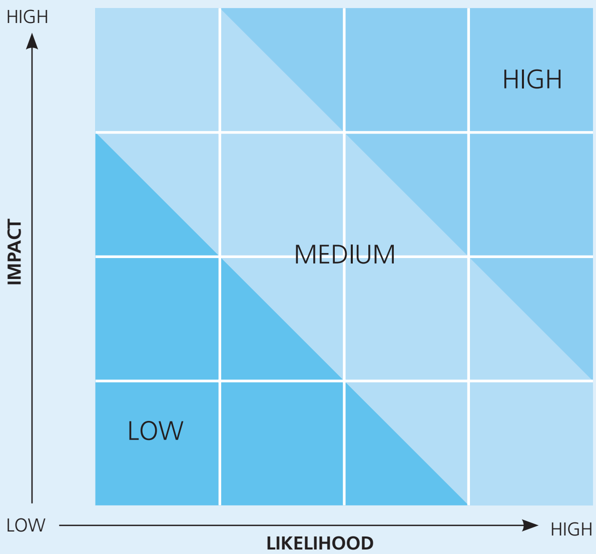
Business Unit	**Business Unit Heads**	**Department/ Division Heads**	**Managers/ Executives**
	Responsible for management of strategic risks for the business unit with oversight responsibilities over operational risks	Responsible for management of selected strategic risks for the business unit and relevant operational risks	Responsible for management of relevant operational risks
Corporate Office	**Department/ Division Heads**	**Managers/ Executives**	

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. 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:

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

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 DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

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

IMPOSITIONS OF SANCTIONS / PENALTIES

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

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors, or a firm or company affiliated to the auditors' firm amounted to RM663,612.

PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not issue 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:

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

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 Dato' Syed Mokhtar Shah bin Syed Nor ("TSSM") was a major shareholder of MMC and UM Land.

(b) Restructuring Agreement between Kramat Tin Dredging Berhad ("KTD"), SPJ Corporation Berhad ("SPJB"), SP Setia Berhad, Putrajaya Holdings Sdn Bhd, Abad Kilat Sdn Bhd and Kelana Ventures Sdn Bhd ("KVSB") dated 24 April 2004

KTD, a subsidiary of MMC, had on 24 April 2004 entered into a restructuring agreement ("Restructuring Agreement") as part of the restructuring exercise comprising various proposals ("Proposals") to address its position as an affected listed issuer having an inadequate level of operations under Practice Note 10/2001 of the Listing Requirements of Bursa Malaysia. Pursuant to the Restructuring Agreement, SPJB will, amongst others:

(i) acquire the entire equity interest in KTD for a total purchase consideration of RM25,819,200 to be settled through the issue of ordinary shares of RM1.00 each in SPJB ("SPJB Shares") together with irredeemable convertible preference shares of RM1.00 each in SPJB ("SPJB ICPS") to the shareholders of KTD; and

(ii) acquire a piece of freehold land measuring approximately 272.021 acres from KVSB for a total purchase consideration of RM55,184,208 to be settled through the issue of SPJB Shares together with SPJB ICPS ("Proposed Acquisition of Land").

TSSM is a major shareholder of KTD, via Indra Cita Sdn Bhd, Seaport Terminal (Johore) Sdn Bhd and MMC and at the material time was also a substantial shareholder of KVSB. As such, TSSM, MMC, KVSB and parties connected to them ("Connected Parties") are deemed interested in the Proposed Acquisition of Land. Further, as all the individual proposals under the Proposals are inter-conditional to one another, the Connected Parties are deemed interested in the Proposals.

(c) (i) Operations and Maintenance Agreement between Rangkai Positif Sdn Bhd ("RP") and Tanjung Bin Power Sdn Bhd ("Tanjung Bin") dated 25 July 2003 supplemented by supplemental agreements dated 4 August 2003 and 17 October 2003

(ii) Subcontract of Operations and Maintenance Agreement between Teknik Janakuasa Sdn Bhd ("TJSB") and RP dated 12 October 2004

Pursuant to an Operations and Maintenance Agreement dated 25 July 2003 entered into between RP and Tanjung Bin as supplemented by supplemental agreements dated 4 August 2003 and 17 October 2003 ("O&M Agreement"), RP is to provide operation and maintenance services ("Services") to the power plant owned by Tanjung Bin comprising three (3) coal-fired generating units with a total capacity of 2,100 megawatts, located in the State of Johor ("Tanjung Bin Power Plant") which generates electricity to be sold to Tenaga Nasional Berhad based on a concession period of 25 years ("Term"). For the period from 20 September 2007 to 31 December 2007, the Services rendered by RP for the Tanjung Bin Power Plant had amounted to approximately RM62,540,000.

Tanjung Bin is a 90%-owned subsidiary of Malakoff Corporation Berhad ("MCB"), which is in turn a 51%-owned subsidiary of MMC.

Pursuant to a Subcontract of the Operations and Maintenance Agreement dated 12 October 2004 between TJSB and RP ("Subcontract O&M Agreement"), RP has subcontracted a part of its scope of works under the O&M Agreement ("Subcontract Services") to TJSB. For the period from 20 September 2007 to 31 December 2007, the Subcontract Services rendered by TJSB to RP for the Tanjung Bin Power Plant had amounted to approximately RM32,426,000.00

TJSB is a wholly-owned subsidiary of MCB.

TSSM, who is a major shareholder of MMC, had acquired 100% equity interest in RP from Motivasi Asia Sdn Bhd on 20 September 2007. TSSM subsequently entered into a Sale and Purchase of Shares Agreement with DRB-HICOM Berhad ("DRB-HICOM") on 11 October 2007 to sell his 100% beneficial equity interest in RP to DRB-HICOM. TSSM also holds 90% equity interest in Etika Strategi Sdn Bhd which is a major shareholder of DRB-HICOM.

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.

Corporate Social Responsibility

We are committed to being a responsible corporate citizen in all aspects of our business and in all of our dealings with our stakeholders, be they our customers, our business partners, employees or the many communities that we operate in.

Every action that we undertake is steered by the need to make business decisions that give credibility to our sense of economic, social and environmental responsibility. While we recognise that the main focus of business is to improve profitability, we are committed to producing sustainable profits that make an impact on the communities in which we operate. We believe that business excellence and corporate social responsibility can go hand in hand – being financially healthy allows us to contribute to society and operating in a responsible manner contributes to our financial success.

As part of our commitment to being a responsible corporate citizen, we supported various humanitarian, social and educational causes over the course of 2007.

HELPING REBUILD LIVES

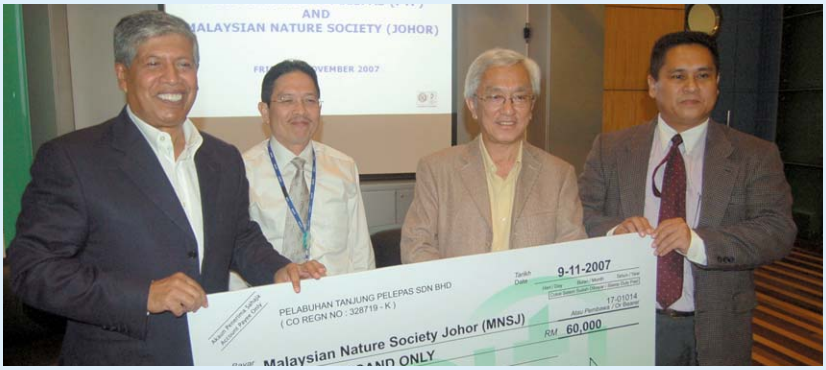
In aid of flood victims, we followed through on our effort to rebuild houses for victims of 2007's floods in Johor as well as contributed towards "Bencana Alam Negeri Kedah", a relief fund for flood victims in Kedah.

HELPING SAVE LIVES

2007 saw us once again organising the annual blood donation drive for MMC staff and the tenants of Kompleks Antarabangsa as part of our efforts to replenish the diminishing supply of blood for the National Blood Centre.

UPHOLDING OUR CULTURAL LEGACY

We also promoted the arts and upheld Malaysia's cultural heritage through our sponsorship of P. Ramlee - The Musical. This mega musical is a fitting tribute to P. Ramlee, the gifted and much loved artiste who elevated the status of Malaysian theatre and pushed it to greater heights.

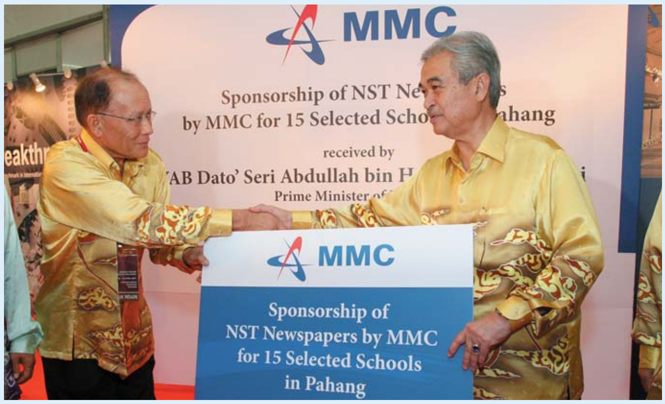


CONSERVING OUR ENVIRONMENT

Our concern for the environment is being echoed through our efforts to conserve the Sungai Pulai estuary in Johor. MMC's subsidiary, PTP, and the Malaysian Nature Society of Johor are collaborating on various conservation projects which involve cataloguing various marine life, flora and fauna along the estuary; replanting mangrove trees at Kukup; and gazetting the island close to PTP and within the estuary as a marine sanctuary.

NURTURING YOUNG MINDS

As part of our efforts to nurture young minds, MMC sponsored 15 schools in Pahang under the New Straits Times' School Sponsorship Programme. This educational programme aims to promote the use of English among the younger generation as well as inculcate good reading habits among them. Selected schools receive 20 copies of the New Straits Times newspaper daily for one year.



BUILDING TOMORROW'S LEADERS

In line with our commitment to building tomorrow's leaders, we continued to support Outward Bound Malaysia, Lumut, a non-profit organisation that provides character building 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

11 March

SMART TUNNEL RUN

The inaugural SMART Tunnel Run takes place with over 3,000 contestants participating in the 13.5 km run co-organised by JPS and SMART.

2 May

RM9.3 BILLION ACQUISITION OF MALAYSIA'S LARGEST IPP

MMC completes the acquisition of Malakoff Berhad's businesses in a RM9.3 billion all-cash transaction – at the time, the largest merger & acquisition exercise in Malaysia.

Malakoff is a leading power and water producer with interests in nine power and water projects in Malaysia, Saudi Arabia, Algeria, Oman and Jordan. The company is the country's largest independent power producer, with interests in six power plants strategically located in Peninsular Malaysia. Malakoff has an effective generation capacity of 5,020 MW in Malaysia, which accounts for a quarter of Peninsular Malaysia's total installed capacity.

of the Year

14 May

SMART MOTORWAY OPENS TO THE PUBLIC

The innovative SMART tunnel officially opens to the public with the dual purpose of alleviating traffic congestion and diverting floodwater away from Kuala Lumpur city. An average of approximately 30,000 vehicles utilise the SMART motorway everyday and numerous incidences of flooding in Kuala Lumpur city have successfully been averted.

24 September

MMC AND DUBAI WORLD TO DEVELOP MARITIME CENTRE IN RM16 BILLION PLAN

MMC and Dubai World sign a MOU to jointly develop areas in South Johor including MMC's landbank of 2,255 acres at Tanjung Bin, Johor. The proposed maritime centre will comprise oil terminal activities, dry docks, conventional cargo handling facilities, logistics parks and real property development.

5 November

MMC SECURES SAR2 BILLION SAUDI PORT DEAL

MMC signs an agreement to acquire rights to jointly develop and operate the third container terminal at Jeddah Port, Saudi Arabia. The new Tusdeer Container Terminal will comprise three berths with a capacity of 1.5 million TEU and cost approximately SAR2 billion.

24 November

MMC SIGNS US$3 BILLION JAZAN SMELTER PACT

MMC International and Saudi Binladin Group sign a definitive agreement with CHALCO to develop, own and operate an aluminium smelter at Jazan Economic City which will cost an estimated US$3 billion and have an annual production capacity of approximately one million metric tonnes.

This agreement is one among a series of six agreements and MOUs signed at the JEC's ground breaking ceremony which sees the laying of the foundation stone of the project's marketing complex, marking the beginning of contruction work. This major milestone comes within a year of the project's launch in November 2006 by the Custodian of the Two Holy Mosques, King Abdullah bin AbdulAziz AlSaud.

14 December

MMC WINS RM12.485 BILLION DOUBLE TRACKING RAILWAY PROJECT

The MMC-Gamuda JV announces that it has received a letter of award from the Government to implement the northern section of the double tracking railway project on a design and build basis for a lump sum price of RM12.485 billion. The project will involve the design and construction of an electrified double tracking railway line between Ipoh and Padang Besar measuring 329 km.

16 December

SMART WINS INDUSTRY EXCELLENCE AWARD

The MMC-Gamuda JV wins the “Innovation Award” and “Environmental Award” at the Malaysian Construction Industry Awards 2007 for the SMART project. The SMART project’s dual-function concept is the first of its kind in the world and garners recognition from the global engineering and construction community as well as high profile international coverage on the “Discovery Channel” and “National Geographic Channel”, among others.

financial statements

Directors' Report

for the financial year ended 31 December 2007

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 2007.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are shown in Note 42 to the financial statements.

There is no significant change in the nature of these activities during the financial year, except for the Group's involvement in design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of power plants, generation and sale of electrical energy and generating capacity of power plants following the acquisition of the entire assets and undertaking of Malakoff Berhad and assumed all its liabilities as further disclosed in Note 15 (c) to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year	861,043	1,442,767
Attributable to:		
Equity holders of the Company	551,522	1,442,767
Minority interest	309,521	–
	861,043	1,442,767

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 2006 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006, as shown in the Directors' report of that financial year, a final gross dividend of 8.0 sen per share, less 27% income tax and 1.0 sen per share, tax exempt on 1,522,529,276 ordinary shares, were paid on 11 June 2007	104,141

The Directors recommend the payment of a final gross dividend of 5.0 sen per share comprising 1.0 sen per share less 26% income tax, 2.5 sen per share tax exempt and 1.5 sen per share single-tier tax exempt on the 3,045,058,552 enlarged ordinary share capital pursuant to bonus issue exercise as disclosed in Note 44 to the financial statements, amounting to RM144,335,775 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 13 June 2008 to shareholders registered on the Company's Register of Members at the close of business on 28 May 2008.

DIRECTORS

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

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, *Chairman*
Encik Feizal Ali
Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob
Dato' Abdullah bin Mohd Yusof
Encik Halim Haji Din
Datuk Mohd Sidik Shaik Osman
Encik Ahmad Jauhari bin Yahya *(Appointed on 23 May 2007)*
Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin *(Resigned on 15 May 2007)*

In accordance with Article 78 of the Company's Articles of Association, Encik Halim Haji Din and Datuk Mohd Sidik Shaik Osman retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 85 of the Company's Article of Association, Encik Ahmad Jauhari bin Yahya, who was appointed during the year, retires at the forthcoming Annual General Meeting and, being eligible, offers himself 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(ii) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

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

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

	Number of ordinary shares of RM0.10 each in the Company			
	At 1.1.2007	**Bought**	**Sold/ Resigned**	**At 31.12.2007**
Dato' Wira Syed Abdul Jabbar bin Syed Hassan*	3,000	–	(3,000)	–
Datuk Ir. (Dr.) Haji Ahmad Zaidee bin Laidin**	6,000	–	(6,000)	–
Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob	–	10,000	–	10,000

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

DIRECTORS' INTERESTS (CONTINUED)

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

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

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

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

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

(b) any contingent liability of the Group or Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 43 to the financial statements;

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 27 February 2008.

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN
Chairman

FEIZAL ALI
Group Chief Executive

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 62 to 136 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 2007 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 2008.

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN
Chairman

FEIZAL ALI
Group Chief Executive

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 62 to 136 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 2008

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 62 to 136. 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 2007 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 42 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 2008

Income Statements

for the financial year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Revenue	5	**5,722,033**	2,839,060	**349,784**	432,330
Cost of sales	6	**(3,542,714)**	(1,935,467)	**(138,250)**	(271,425)
Gross profit		**2,179,319**	903,593	**211,534**	160,905
Other operating income					
– items relating to investments		**100,988**	87,439	**1,319,973**	70,818
– others		**185,031**	52,949	**20,990**	7,933
Distribution costs		**(2,748)**	(2,369)	**–**	–
Administrative expenses		**(524,987)**	(309,438)	**(24,220)**	(32,039)
Other operating expenses		**(41,262)**	(60,255)	**(4,421)**	(15,074)
Finance costs	7	**(969,182)**	(201,052)	**(63,205)**	(59,623)
Share of results of:					
– associates		**95,468**	116,354	**–**	–
– jointly controlled entities		**(4,585)**	(5,881)	**–**	–
Profit before taxation	8	**1,018,042**	581,340	**1,460,651**	132,920
Tax expense:					
– Company and subsidiaries	9	**(156,999)**	(12,677)	**(17,884)**	(15,347)
Net profit for the financial year		**861,043**	568,663	**1,442,767**	117,573
Attributable to:					
– Equity shareholders		**551,522**	390,024	**1,442,767**	117,573
– Minority interests		**309,521**	178,639	**–**	–
		861,043	568,663	**1,442,767**	117,573
Earnings per ordinary share (sen):					
– Basic	10	**18.1**	12.8		
– Diluted	10	**18.1**	12.8		
Dividend per ordinary share (sen):					
– Proposed final	11	**5.0**	9.0	**5.0**	9.0

Balance Sheets

as at 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	**15,347,573**	4,663,574	**7,671**	2,613
Investment properties	13	**32,429**	32,953	**–**	–
Prepaid lease payments	14	**661,203**	565,654	**4,613**	4,670
Investments in subsidiaries	15	**–**	–	**6,047,509**	4,127,320
Investments in associates	16	**1,966,977**	1,458,529	**156,637**	156,637
Investments in jointly controlled entities	17	**153,252**	146,337	**1**	–
Other investments	18	**–**	–	**–**	–
Amounts due from subsidiaries	19	**–**	–	**479,499**	470,971
Other assets	20	**–**	–	**–**	–
Intangible assets	21	**8,958,809**	1,723,248	**–**	–
Deferred tax assets	22	**15,730**	6,603	**–**	–
		27,135,973	8,596,898	**6,695,930**	4,762,211
CURRENT ASSETS					
Inventories	23	**528,296**	33,322	**–**	–
Non-current assets held for sale	24	**192**	2,827	**11,448**	3,000
Trade and other receivables	25	**1,727,355**	517,591	**56,497**	41,734
Tax recoverable		**119,402**	79,295	**45,108**	26,969
Amount due from a subsidiary	19	**–**	–	**85,391**	–
Amount due from holding company	26	**15,780**	15,780	**15,780**	15,780
Marketable securities	27	**61,206**	85,276	**–**	–
Deposits, bank and cash balances	28	**3,310,774**	666,415	**79,532**	151,430
		5,763,005	1,400,506	**293,756**	238,913
CURRENT LIABILITIES					
Borrowings	29	**1,718,843**	567,645	**165,000**	65,000
Trade and other payables	30	**1,197,126**	657,501	**44,065**	54,063
Taxation		**26,830**	6,195	**–**	–
		2,942,799	1,231,341	**209,065**	119,063
NET CURRENT ASSETS		**2,820,206**	169,165	**84,691**	119,850
		29,956,179	8,766,063	**6,780,621**	4,882,061

Balance Sheets

as at 31 December 2007

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
FINANCED BY:					
CAPITAL AND RESERVES					
Share capital	31	**152,253**	152,253	**152,253**	152,253
Reserves	32	**5,708,261**	3,993,430	**4,087,054**	2,748,428
Shareholders' funds		**5,860,514**	4,145,683	**4,239,307**	2,900,681
Minority interests		**2,807,088**	444,730	**–**	–
Total equity		**8,667,602**	4,590,413	**4,239,307**	2,900,681
NON-CURRENT LIABILITIES					
Amounts due to subsidiaries	19	**–**	–	**1,478,493**	732,834
Redeemable preference shares	33	**114,051**	94,046	**–**	–
Redeemable convertible subordinated loans	34	**158,355**	158,355	**–**	–
Borrowings	29	**17,584,639**	3,376,994	**1,062,821**	1,248,446
Land lease received in advance	35	**198,649**	178,483	**–**	–
Provision for retirement benefits	30	**41,889**	15,128	**–**	–
Deferred income	36	**47,808**	48,666	**–**	–
Deferred tax liabilities	22	**3,143,186**	303,978	**–**	100
		21,288,577	4,175,650	**2,541,314**	1,981,380
		29,956,179	8,766,063	**6,780,621**	4,882,061

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2007

	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	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
		Attributable to equity holders of the Company									
			← Non-distributable →				← Distributable →				
At 1 January 2007		152,253	2,039,770	(55,765)	28,120	216,463	350,107	1,414,735	4,145,683	444,730	4,590,413
Acquisition through business combinations		–	–	–	1,191,151	–	–	–	1,191,151	2,152,777	3,343,928
Share of movement in associates' reserves		–	–	–	–	91,734	–	–	91,734	–	91,734
Decrease in equity interest in existing subsidiary		–	–	–	–	–	–	–	–	6,566	6,566
Net income recognised directly to equity		–	–	–	1,191,151	91,734	–	–	1,282,885	2,159,343	3,442,228
Net profit for the financial year		–	–	–	–	–	–	551,522	551,522	309,521	861,043
Realisation of disposal of foreign subsidiaries		–	–	(15,435)	–	–	–	–	(15,435)	–	(15,435)
Realisation of disposal of foreign subsidiaries in previous years		–	–	71,200	–	–	–	(71,200)	–	–	–
Dividend for financial year ended 31 December 2006	11	–	–	–	–	–	–	(104,141)	(104,141)	–	(104,141)
Dividend paid to minority shareholders		–	–	–	–	–	–	–	–	(106,506)	(106,506)
At 31 December 2007		152,253	2,039,770	–	1,219,271	308,197	350,107	1,790,916	5,860,514	2,807,088	8,667,602

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

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2007

	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	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
		Attributable to equity holders of the Company									
			← Non-distributable			→	← Distributable →				
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 through business combinations		–	–	–	–	–	–	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	11	–	–	–	–	–	–	(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.*

Company Statement of Changes in Equity

for the financial year ended 31 December 2007

	Note	Share capital RM'000	← Non-distributable Share premium RM'000	→ **Capital reserves RM'000	← Distributable *Capital reserves RM'000	→ Retained earnings RM'000	Total RM'000
At 1 January 2007		**152,253**	**2,039,770**	**211,963**	**243,074**	**253,621**	**2,900,681**
Net profit for the financial year		**–**	**–**	**–**	**–**	**1,442,767**	**1,442,767**
Dividend for the financial year ended 31 December 2006	11	**–**	**–**	**–**	**–**	**(104,141)**	**(104,141)**
At 31 December 2007		**152,253**	**2,039,770**	**211,963**	**243,074**	**1,592,247**	**4,239,307**

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

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

	Note	Share capital RM'000	← Non-distributable Share premium RM'000	Foreign exchange reserve RM'000	→ **Capital reserves RM'000	← Distributable *Capital reserves RM'000	→ Retained earnings RM'000	Total RM'000
At 1 January 2006								
– as previously reported		152,253	2,039,770	(57,569)	211,963	243,074	259,391	2,848,882
– change in accounting policy		–	–	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	11	–	–	–	–	–	(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.*

Cash Flow Statements

for the financial year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before taxation	**1,018,042**	581,340	**1,460,651**	132,920
Adjustments for:				
Depreciation of property, plant and equipment	**580,190**	198,910	**3,744**	1,774
Amortisation of prepaid lease payments	**19,877**	810	**57**	57
Dividend income	**(9,712)**	(12,324)	**(212,447)**	(145,503)
(Write-back)/Impairment in cost of investment in:				
– subsidiaries	**–**	–	**462**	2,853
– associates	**(476)**	–	**–**	–
Amortisation of Rights on Power Purchase Agreement and Operations and Maintenance Agreement arising through business combinations:				
– subsidiaries	**207,070**	–	**–**	–
– associate	**23,725**	–	**–**	–
Amortisation of development expenditure and intellectual property	**859**	791	**–**	–
Impairment of goodwill	**–**	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	**–**	(70,746)	**–**	–
Allowance for doubtful debts for amounts due from subsidiaries	**–**	–	**3,053**	370
(Write-back)/Write-off of project cost	**(16,815)**	11,851	**(16,815)**	11,851
Gain on disposal of:				
– investments	**(85,597)**	–	**–**	–
– associated companies	**(1,702)**	(16,693)	**(1,263,708)**	(70,818)
Gain on disposal of property, plant and equipment	**(1,840)**	(12,042)	**(260)**	(260)
Gain on liquidation of subsidiaries	**–**	–	**(55,357)**	–
Gain on deemed disposal of a subsidiary	**(2,153)**	–	**–**	–
Realisation of foreign exchange gain on liquidation of subsidiaries	**(15,435)**	–	**–**	–
Impairment loss of property, plant and equipment	**694**	4,024	**–**	–
Write-off of property, plant and equipment	**1,079**	178	**–**	–
Write-back of allowance for doubtful debts	**(3,415)**	(2,948)	**–**	–
Depreciation of investment properties	**524**	473	**–**	–
Amortisation of land lease received in advance	**(7,994)**	(5,992)	**–**	–
Amortisation of deferred income	**(6,259)**	(2,780)	**–**	–
Bad debts recovered	**(1,308)**	(1,512)	**–**	–
Allowance for doubtful debts	**88,223**	2,475	**–**	–
Allowance for slow moving inventories	**–**	31	**–**	–
Foreign exchange difference of foreign operation	**–**	–	**–**	(1,980)

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income	**(147,085)**	(20,686)	**(3,270)**	(5,216)
Interest expense	**969,182**	201,052	**63,205**	59,623
Share of results in:				
– associates	**(95,468)**	(116,354)	**–**	–
– jointly controlled entities	**4,585**	5,881	**–**	–
Allowance for mining exploration expenditure	**29**	13	**29**	13
Net unrealised (gain)/loss on foreign exchange	**(1,095)**	(800)	**6**	(67)
Provision for retirement benefits	**5,018**	843	**–**	–
	2,522,743	763,486	**(20,650)**	(14,383)
Changes in working capital:				
Inventories	**(52,839)**	1,674	**–**	–
Trade and other receivables	**(104,286)**	(92,792)	**2,045**	(2,234)
Trade and other payables	**(572,777)**	111,929	**(9,998)**	15,121
Designated accounts and pledged deposits	**(16,778)**	231	**–**	–
Cash generated from/(used in) operations	**1,776,063**	784,528	**(28,603)**	(1,496)
Income tax (paid)/refund	**(185,773)**	(63,940)	**(324)**	16,790
Mining exploration expenditure	**(29)**	(13)	**(29)**	(13)
Land lease received in advance	**38,824**	–	**–**	–
Retirement benefits paid	**(1,951)**	(580)	**–**	–
Net cash flow generated from /(used in) operating activities	**1,627,134**	719,995	**(28,956)**	15,281
INVESTING ACTIVITIES				
Acquisition through business combinations	**(5,116,894)**	(590,553)	**(2,047,834)**	(835,488)
Redemption/(Subscription) of preference shares in associate company	**3,000**	(3,000)	**3,000**	(3,000)
Dividends received from:				
– subsidiaries	**–**	–	**151,890**	89,099
– associates	**82,787**	62,630	**24,758**	19,892
– others	**9,712**	12,324	**–**	–
Interest received	**147,085**	20,686	**3,270**	5,216
Development expenditure	**(583)**	(1,934)	**–**	–
Proceeds from sale of investments and associates	**111,817**	106,875	**2,047,834**	106,875
Purchases of shares in associates	**(79,303)**	–	**(784,126)**	–
Subscription of preference shares in jointly controlled entity	**–**	(45,000)	**–**	–
Purchases of shares in jointly controlled entity	**(11,500)**	(1,310)	**–**	–
Proceeds from sale of property, plant and equipment	**1,879**	42,212	**285**	282
Purchases of property, plant and equipment	**(280,126)**	(614,429)	**(8,803)**	(438)
Prepayment of lease	**(152)**	(23)	**–**	–
Net cash flow used in investing activities	**(5,132,278)**	(1,011,522)	**(609,726)**	(617,562)

Cash Flow Statements

for the financial year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
FINANCING ACTIVITIES					
Dividends paid		**(104,141)**	(65,774)	**(104,141)**	(65,774)
Dividends paid to minority interests of subsidiaries		**(106,506)**	(18,436)	**–**	–
Interest paid		**(1,201,569)**	(201,052)	**(63,205)**	(59,623)
Amounts due from:					
– holding company		**–**	–	**–**	25,000
– subsidiaries		**–**	–	**(97,881)**	(9,125)
Amounts due to subsidiaries		**–**	–	**917,636**	(14,514)
Borrowings					
– new drawdown		**8,166,582**	1,299,532	**12,986**	750,750
– repayment		**(2,620,151)**	(572,817)	**(98,611)**	(48,307)
Proceeds from issuance of preference shares		**20,005**	27,046	**–**	–
Proceeds from issuance of shares in subsidiaries		**1,977,526**	–	**–**	–
Government compensation received for toll operations		**–**	40,480	**–**	–
Net cash flow generated from financing activities		**6,131,746**	508,979	**566,784**	578,407
Net increase/(decrease) in cash and cash equivalents		**2,626,602**	217,452	**(71,898)**	(23,874)
Foreign exchange differences		**–**	44	**–**	–
Cash and cash equivalents at beginning of financial year		**651,080**	433,584	**151,430**	175,304
Cash and cash equivalents at end of financial year		**3,277,682**	651,080	**79,532**	151,430
Cash and cash equivalents comprise:					
Cash and bank balances		**377,685**	64,248	**2,564**	585
Deposits		**2,933,089**	602,167	**76,968**	150,845
Bank overdrafts		**(3,848)**	(2,869)	**–**	–
		3,306,926	663,546	**79,532**	151,430
Less:					
Designated accounts	29	**(12,442)**	(12,444)	**–**	–
Deposits pledged for banking facilities		**(16,802)**	(22)	**–**	–
		3,277,682	651,080	**79,532**	151,430

Included in the deposits of the Group are:

(a) an amount of RM12.4 million (2006: RM12.4 million) being assigned as Designated Accounts for the loans as disclosed in Note 29; and

(b) deposits of RM16.8 million (2006: RM0.02 million) which are pledged for certain banking facilities.

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.

During the current financial year, the Group and Company had adopted new FRS as follows:

- FRS 6 Exploration for and Evaluation of Mineral Resources
- FRS 117 Leases
- FRS 124 Related Party Disclosures

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

- FRS 107 Cash Flow Statements
- FRS 111 Construction Contracts
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The FRS 112 has removed the prohibition on recognising deferred tax arising from reinvestment allowances or other allowances in excess of capital allowance. Had the amendment been early adopted, deferred tax asset amounting to RM253 million (2006: RM293 million) would have been recognised in the Group financial statements.

The effective date for FRS 139 Financial Instruments: Recognition and Measurement has yet to be determined by MASB, hence the impact to the financial statements are not disclosed. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances.

(a) Basis of preparation (continued)

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

FRS 117 Leases

Prior to 1 January 2007, the leasehold interest in land held for own use classified as property, plant and equipment, were stated at costs or revalued amounts less accumulated depreciation and accumulated impairment losses. Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase from the same property. In other cases, a decrease in carrying amount is charged to the income statement.

The adoption of FRS 117 has resulted in the Group leasehold interest in land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

The effects on the financial statements following the adoption of the new 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.

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

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

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

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

(c) Transactions with minority shareholders

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

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

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

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

(d) Associates

Associates are enterprises in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for by using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment.

Equity accounting involves recognising the Group's share of the post acquisition results of associates and its share of post acquisition movements within reserves in reserves. Where the associates are public listed companies, the Group has equity accounted for the associates results based on 12-month financial information up to the date of latest publicly available interim report.

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

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

(e) Jointly controlled entities

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

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

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

(f) Property, plant and equipment

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

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

Revaluations of certain properties were carried out primarily as a one-off exercise and were not intended to effect a change in the accounting policy to one of revaluation of properties and these valuations have not been updated. Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

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

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

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

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

(g) Depreciation

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

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

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

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

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

(h) Investment properties

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

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

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

(i) Prepaid lease payments

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

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

Prepaid lease payments	20 to 101 years

(j) Impairment of assets

Property, plant and equipment and other non-current assets (except for amounts due from subsidiaries, associates and deferred tax assets) are reviewed for impairment losses whenever events or changes in circumstances (for depreciable non-current assets) indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use.

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

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

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

(k) Investments

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

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

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

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

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

(l) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's shares of their net identifiable assets at the date of acquisition. Goodwill on acquisition of subsidiaries and associates are stated at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

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

(n) Intellectual property

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

The intellectual property is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the related asset exceeds its recoverable amount.

(o) Development expenditure

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

(p) Construction, engineering and fabrication contracts

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

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period; the stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract.

(p) Construction, engineering and fabrication contracts (continued)

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 and other receivables

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

(s) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits held at call with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(t) Borrowings

Borrowings are stated at cost after deducting transaction costs.

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

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

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

(u) Taxation

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

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

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

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

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

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

(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

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

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

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

(w) Employee benefits (continued)

(ii) Defined benefit plans

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

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

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

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

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

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

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

(x) Revenue recognition (continued)

(iii) Construction contracts

(a) Fixed price contracts

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

(b) Cost plus contracts

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

(c) Profit guarantee contracts

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

(iv) Port operations, repairing and cleaning containers

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

(v) Sales of gas

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

(vi) Toll operations

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

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

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

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

(viii) Dividend income

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

(ix) Interest income

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

(x) Rental income

Rental income is recognised based on accruals basis.

(y) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(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.

(z) 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.

(z) Financial instruments (continued)

(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.

(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.

(aa) Contingent liabilities

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

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

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

(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) 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.

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

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

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

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

1. CORPORATE INFORMATION

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

The principal activities of the subsidiaries are shown in Note 42 to the financial statements.

There is no significant change in the nature of these activities during the financial year, except for the Group's involvement in design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of power plants, generation and sale of electrical energy and generating capacity of power plants following the acquisition of the entire assets and undertaking of Malakoff Berhad and assumed all its liabilities.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 8, Kompleks Antarabangsa, Jalan Sultan Ismail, 50250 Kuala Lumpur.

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Foreign currency exchange risk

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

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

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

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

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

(c) Market risk

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

(d) Credit risk

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

(e) Liquidity and cash flow risk

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

(a) Estimated impairment of goodwill

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

The recoverable amounts of Cash Generating Units (CGUs) were determined based on the value in use calculations. The calculations require the use of estimates and judgements as set out in Note 21 to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Fair valuation of Rights on Power Purchase Agreement ("PPA") and Operation and Maintenance Agreement ("OMA") and its subsequent amortisation

The Group amortises the intangible assets with finite lives based on the Net Electrical Output generated from the PPA companies and Fixed Operation and Maintenance income generated from the OMA companies as these basis best represents the pattern in which the Intangible Assets future economic benefits are expected to be consumed by the Group. The calculations and measurement are further disclosed in Note 21 to the financial statements.

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

The following tables disclose the adjustments that have been made in accordance with the new provisions of the respective FRS to each of the line items in the Group and Company's Balance Sheet as at 31 December 2007 including restatement of comparatives.

(a) Summary of significant effects on Balance Sheet as at 31 December 2007

Increase/(Decrease)

	FRS 117 RM'000
Group	
Property, plant and equipment	(661,203)
Prepaid lease payments	661,203
Company	
Property, plant and equipment	(4,613)
Prepaid lease payments	4,613

(b) Restatement of comparatives on Balance Sheet

	Previously reported RM'000	FRS 117 RM'000	As restated RM'000
Group			
Property, plant and equipment	4,689,228	(25,654)	4,663,574
Land held for development	540,000	(540,000)	–
Prepaid lease payments	–	565,654	565,654
Company			
Property, plant and equipment	7,283	(4,670)	2,613
Prepaid lease payments	–	4,670	4,670

5. REVENUE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
– electricity generation	**2,701,998**	–	**–**	–
– sale of goods and gas	**1,458,665**	1,315,635	**–**	–
– port operations	**1,126,564**	924,313	**–**	–
– contract revenue	**320,114**	499,940	**137,337**	286,827
– services	**70,314**	54,713	**–**	–
– toll operations	**34,666**	32,135	**–**	–
– dividends (Note 8(i))	**9,712**	12,324	**212,447**	145,503
	5,722,033	2,839,060	**349,784**	432,330

6. COST OF SALES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
– cost of electricity generation	**(1,536,230)**	–	**–**	–
– cost of goods and gas sold	**(1,127,880)**	(1,040,323)	**–**	–
– cost of port operations	**(469,713)**	(377,328)	**–**	–
– contract cost recognised as an expense	**(354,484)**	(477,602)	**(138,250)**	(271,425)
– cost of services	**(43,563)**	(30,047)	**–**	–
– cost of toll operations	**(10,844)**	(10,167)	**–**	–
	(3,542,714)	(1,935,467)	**(138,250)**	(271,425)

Included in the cost of electricity generation is the amortisation of intangibles related to Rights on Power Purchase Agreement and Operation and Maintenance Agreement amounting to RM231 million (2006: RMnil).

7. FINANCE COST

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Al-Istisna Bonds	**285,878**	–	**–**	–
Medium Terms Notes	**265,853**	–	**–**	–
Term Loans	**175,503**	172,867	**60,279**	56,566
Junior Sukuk	**102,280**	–	**–**	–
Bai' Bithaman Ajil Islamic Debt Securities	**55,211**	13,484	**–**	–
Sukuk Ijarah Thumma Bai	**35,150**	–	**–**	–
Commercial Papers	**23,651**	6,857	**–**	–
Others	**25,656**	7,844	**2,926**	3,057
	969,182	201,052	**63,205**	59,623

8. PROFIT BEFORE TAXATION

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(i) Profit from operations is stated after charging:				
Allowance for mining exploration expenditure	**29**	13	**29**	13
Auditors' remuneration:				
– Statutory audit	**953**	572	**92**	77
– Other services	**3,223**	812	**337**	774
Directors' fees (Note 8(ii))	**614**	562	**481**	451
Depreciation of property, plant and equipment	**580,190**	198,910	**3,744**	1,774
Amortisation of prepaid lease payments	**19,877**	810	**57**	57
Depreciation of investment properties	**524**	473	**–**	–
Write-off of project cost	**–**	11,851	**–**	11,851
Allowance for doubtful debts	**88,223**	2,475	**–**	–
Allowance for slow moving inventories	**–**	31	**–**	–
Realised loss on foreign exchange	**464**	173	**–**	–
Unrealised loss on foreign exchange	**116**	188	**6**	–
Impairment loss of property, plant and equipment	**694**	4,024	**–**	–
Provision for retirement benefit	**5,018**	843	**–**	–
Hire of plant and machinery	**61,967**	54,930	**–**	–
Rent of land and buildings	**52,389**	38,691	**1,469**	1,368
Impairment in costs of investment in subsidiaries	**–**	–	**462**	2,853
Amortisation of Rights on Power Purchase Agreement and Operations and Maintenance Agreement arising from acquisition through business combinations:				
– subsidiaries	**207,070**	–	**–**	–
– associate	**23,725**	–	**–**	–
Impairment of goodwill	**–**	17,691	**–**	–
Allowance for doubtful debts for amount due from subsidiaries	**–**	–	**3,053**	370
Write-off of property, plant and equipment	**1,079**	178	**–**	–
Amortisation of development expenditure and intellectual property	**859**	791	**–**	–
Staff costs:				
– Wages, salaries and bonus	**216,447**	170,750	**8,965**	8,413
– Defined contribution plan	**5,174**	18,809	**1,222**	1,041
– Defined benefit plan	**25,252**	1,128	**–**	–
– Other employee benefits	**15,558**	11,195	**868**	669

8. PROFIT BEFORE TAXATION (CONTINUED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
and crediting:				
Realised gain on foreign exchange	**1,022**	3,859	**10**	32
Unrealised gain on foreign exchange	**1,211**	988	**–**	67
Gain on disposal of property, plant and equipment	**1,840**	12,042	**260**	260
Rental income	**709**	750	**168**	77
Write-back of allowance for doubtful debts	**3,415**	2,948	**–**	–
Amortisation of deferred income	**6,259**	2,780	**–**	–
Amortisation of land lease received in advance	**7,994**	5,992	**–**	–
Bad debts recovered	**1,308**	1,512	**–**	–
Interest income	**147,085**	20,686	**3,270**	5,216
Foreign exchange difference of foreign operation	**–**	–	**–**	1,980
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	**–**	70,746	**–**	–
Gain on disposal of:				
– investments	**85,597**	–	**–**	–
– associated companies	**1,702**	16,693	**1,263,708**	70,818
Gain on liquidation of subsidiaries	**–**	–	**55,357**	–
Gain on deemed disposal of a subsidiary	**2,153**	–	**–**	–
Realisation of foreign exchange gain on liquidation of subsidiaries	**15,435**	–	**–**	–
Write-back of project cost	**16,815**	–	**16,815**	–
Gross dividend income:				
– Associates:				
Quoted in Malaysia	**–**	–	**27,632**	21,754
– Subsidiaries:				
Unquoted in Malaysia	**–**	–	**184,815**	123,749
– Other investments:				
Quoted in Malaysia	**9,712**	12,324	**–**	–

8. PROFIT BEFORE TAXATION (CONTINUED)

(ii) Directors' remuneration:

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Company				
Non-executive directors:				
– fees	**614**	562	**481**	451
– other emoluments	**855**	384	**187**	194
– defined contribution plan	**108**	13	**–**	–
– estimated money value of benefits-in-kind	**128**	77	**32**	32
Executive directors:				
– salaries and other emoluments	**1,353**	1,349	**1,353**	1,349
– defined contribution plan	**199**	193	**199**	193
– estimated money value of benefits-in-kind	**104**	76	**104**	76
	3,361	2,654	**2,356**	2,295

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

9. TAX EXPENSE

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current tax:				
– Current year Malaysian tax	**180,190**	37,687	**18,398**	24,662
– Under/(Over) accrual in prior years (net)	**1,122**	(48,219)	**(414)**	(10,891)
	181,312	(10,532)	**17,984**	13,771
Deferred tax:				
– Origination and reversal of temporary differences	**(23,794)**	23,930	**–**	34
– (Over)/Under accrual in prior years	**(519)**	(721)	**(100)**	1,542
	156,999	12,677	**17,884**	15,347

9. TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation	**1,018,042**	581,340	**1,460,651**	132,920
Tax calculated at the Malaysian tax rate of 27% (2006: 28%)	**274,871**	162,775	**394,376**	37,217
Tax effects of:				
– expenses not deductible for tax purposes	**10,215**	47,021	**6,618**	12,091
– income exempted from tax	**(3,300)**	(4,804)	**(21,451)**	(4,229)
– income not subject to tax	**(29,339)**	(27,834)	**(361,404)**	(20,383)
– differences in SME tax rate of 20% and corporate tax rate of 27%	**(65)**	(86)	**–**	–
– change in tax rate	**(58,609)**	(7,366)	**–**	–
– temporary differences not recognised	**3,769**	(14,217)	**259**	–
– utilisation of investment tax allowance	**(16,608)**	(34,531)	**–**	–
– share of results of associates net of tax	**(24,538)**	(59,341)	**–**	–
Under/(Over) accrual in prior years (net)	**603**	(48,940)	**(514)**	(9,349)
Tax expense	**156,999**	12,677	**17,884**	15,347

10. EARNINGS PER ORDINARY SHARE

Basic earnings per share and diluted earnings per share are calculated by dividing the net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, which have been adjusted for the effects of the issuance of bonus shares subsequent to balance sheet date as further disclosed in Note 44 to the financial statements.

	Group	
	2007	**2006**
Net profit for the financial year attributable to ordinary equity holders of the Company (RM'000)	**551,522**	390,024
Weighted average number of ordinary shares in issue pursuant to bonus issue ('000)	**3,045,059**	3,045,059
Basic earnings per share (sen)	**18.1**	12.8
Diluted earnings per share (sen)	**18.1**	12.8

The comparative basic earnings per share has been restated to take into account the effect of the issuance of bonus shares subsequent to balance sheet date.

The Redeemable Convertible Subordinated Loans issued by a subsidiary company as referred to in Note 34 do not have any dilutive effect on the Group's earnings per share.

11. DIVIDENDS

	Group and Company	
	2007	**2006**
	RM'000	**RM'000**
Ordinary:		
Final proposed:		
1.0 sen per share, less 26% tax (2006 – 8.0 sen per share, less 27% tax)	**22,533**	88,916
2.5 sen per share, tax exempt (2006 – 1.0 sen per share, tax exempt)	**76,127**	15,225
1.5 sen per share, single-tier tax exempt (2006 – nil)	**45,676**	–
	144,336	104,141

At the forthcoming Annual General Meeting, a final gross dividend of 5.0 sen per share comprising 1.0 sen per share less 26% income tax, 2.5 sen per share tax exempt and 1.5 sen per share single-tier tax exempt dividends in respect of the financial year ended 31 December 2007, on 3,045,058,552 enlarged ordinary share capital pursuant to bonus issue exercise as disclosed in Note 44 to the financial statements, amounting to RM144,335,775 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2008.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold properties RM'000	Building and Port structures RM'000	Mining leases properties RM000	Power plants RM'000	Plant, machinery, dredges and other mining equipment RM'000	Expressway development expenditure RM'000	Pipeline RM'000	Capital work in progress RM'000	C-inspection cost RM'000	Total RM'000
Group										
Cost/valuation										
At 1 January 2007										
Cost	**11,978**	**2,631,038**	**347**	**–**	**1,437,387**	**306,510**	**961,881**	**341,019**	**–**	**5,690,160**
Valuation	**25,981**	**2,006**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,987**
	37,959	**2,633,044**	**347**	**–**	**1,437,387**	**306,510**	**961,881**	**341,019**	**–**	**5,718,147**
Reclassified to prepaid lease payments	**–**	**(52,095)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(52,095)**
	37,959	**2,580,949**	**347**	**–**	**1,437,387**	**306,510**	**961,881**	**341,019**	**–**	**5,666,052**
As restated										
Cost	**11,978**	**2,580,669**	**347**	**–**	**1,437,387**	**306,510**	**961,881**	**341,019**	**–**	**5,639,791**
Valuation	**25,981**	**280**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,261**
	37,959	**2,580,949**	**347**	**–**	**1,437,387**	**306,510**	**961,881**	**341,019**	**–**	**5,666,052**
Acquisition through business combinations	**43,400**	**–**	**–**	**10,547,142**	**49,141**	**–**	**–**	**6,525**	**107,281**	**10,753,489**
Disposals	**–**	**–**	**–**	**–**	**(19,699)**	**–**	**–**	**–**	**–**	**(19,699)**
Additions	**69**	**45,584**	**–**	**–**	**220,386**	**–**	**(3,665)**	**158,384**	**91,755**	**512,513**
Reclassification	**–**	**116,610**	**–**	**–**	**13,324**	**–**	**51,761**	**(181,695)**	**–**	**–**
Write-off	**–**	**–**	**–**	**–**	**(3,014)**	**–**	**–**	**–**	**–**	**(3,014)**
At 31 December 2007	**81,428**	**2,743,143**	**347**	**10,547,142**	**1,697,525**	**306,510**	**1,009,977**	**324,233**	**199,036**	**16,909,341**
Accumulated depreciation										
At 1 January 2007	(581)	(248,366)	–	–	(546,155)	(42,581)	(173,813)	–	–	(1,011,496)
Reclassified to prepaid lease payments	–	26,441	–	–	–	–	–	–	–	26,441
As restated	(581)	(221,925)	–	–	(546,155)	(42,581)	(173,813)	–	–	(985,055)
Depreciation (Note 8)	(2,535)	(57,276)	–	(276,360)	(111,633)	(6,916)	(33,759)	–	(91,711)	(580,190)
Disposals	–	–	–	–	19,659	–	–	–	–	19,659
Write-off	–	–	–	–	1,935	–	–	–	–	1,935
At 31 December 2007	**(3,116)**	**(279,201)**	**–**	**(276,360)**	**(636,194)**	**(49,497)**	**(207,572)**	**–**	**(91,711)**	**(1,543,651)**
Accumulated impairment losses										
At 1 January 2007	(10,810)	(654)	–	–	(3,633)	–	(2,326)	–	–	(17,423)
Impairment loss	–	(694)	–	–	–	–	–	–	–	(694)
At 31 December 2007	**(10,810)**	**(1,348)**	**–**	**–**	**(3,633)**	**–**	**(2,326)**	**–**	**–**	**(18,117)**
Net book value										
At 31 December 2007	**67,502**	**2,462,594**	**347**	**10,270,782**	**1,057,698**	**257,013**	**800,079**	**324,233**	**107,325**	**15,347,573**
At 31 December 2006	26,568	2,358,370	347	–	887,599	263,929	785,742	341,019	–	4,663,574
Depreciation for 2006	2,964	56,555	–	–	99,944	6,403	33,044	–	–	198,910

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold properties RM'000	Mining leases, properties and building RM'000	Plant, machinery and equipment RM'000	Total RM'000
Company				
Cost				
At 1 January 2007	**826**	**347**	**16,514**	**17,687**
Additions	**–**	**–**	**8,803**	**8,803**
Disposal	**–**	**–**	**(832)**	**(832)**
At 31 December 2007	**826**	**347**	**24,485**	**25,658**
Accumulated depreciation				
At 1 January 2007	**–**	**–**	**(15,074)**	**(15,074)**
Depreciation	**–**	**–**	**(3,744)**	**(3,744)**
Disposal	**–**	**–**	**831**	**831**
At 31 December 2007	**–**	**–**	**(17,987)**	**(17,987)**
Net book value				
At 31 December 2007	**826**	**347**	**6,498**	**7,671**
At 31 December 2006	826	347	1,440	2,613
Depreciation for the year 2006	–	–	1,774	1,774

	Group	
	2007 RM'000	2006 RM'000
Net book values of property, plant and equipment pledged as security for borrowings (Note 29)	**14,689,995**	4,489,821

Included in the property, plant and equipment of the Group is interest capitalised at a rate ranging from 5% to 8.9% per annum amounting to RM232.4 million (2006: RM9.3 million).

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

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

	Group	
	2007 RM'000	2006 RM'000
Freehold properties	**9,925**	12,183

13. INVESTMENT PROPERTIES

	Group	
	2007	2006
	RM'000	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	**2,209**	1,736
Depreciation	**524**	473
At 31 December	**2,733**	2,209
Net book value	**32,429**	32,953
Fair value	**99,210**	82,880

All investment properties are freehold properties.

14. PREPAID LEASE PAYMENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At 1 January	**565,654**	566,441	**4,670**	4,727
Acquisition through business combinations	**115,274**	–	**–**	–
Additions	**152**	23	**–**	–
Amortisation for the year	**(19,877)**	(810)	**(57)**	(57)
At 31 December	**661,203**	565,654	**4,613**	4,670

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	RM'000	RM'000
Shares quoted in Malaysia	**2,094**	2,094
Unquoted shares	**6,061,114**	4,140,463
	6,063,208	4,142,557
Less: Accumulated impairment losses of unquoted shares	**(15,699)**	(15,237)
	6,047,509	4,127,320
Market value of quoted investments:		
Quoted in Malaysia	**11,519**	14,661

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) During the financial year, a 70% owned subsidiary, Recycle Energy Sdn Bhd ("RESB") issued additional 10,000,000 new ordinary shares of RM1.00 each, to the other shareholder. Following the issuance, the Group's effective interest in RESB is diluted to 51.0%. The effect of the dilution of interest in RESB on the financial results and the financial position of the Group for the financial year is not material.

(b) On 11 April 2007, the Company incorporated MMC Saudi Arabia Limited ("MMC Saudi") in the Kingdom of Saudi Arabia, with an issued and paid up capital of 5,000 shares of SAR100 each. The effect of the incorporation of MMC Saudi on the financial results and financial position of the Group for the financial year is not material.

(c) On 30 April 2007, Malakoff Corporation Berhad (formerly known as Nucleus Avenue (M) Berhad), a 51.0% owned subsidiary, completed the acquisition of the entire assets and undertakings (other than cash) held by Malakoff Berhad and assumed all its disclosed liabilities for a total cash consideration of RM9,308 million.

Prior to the acquisition, Malakoff Berhad was a 22% associated Company. The acquisition has effectively increased the Group's shareholding in the power generation assets and liabilities previously owned by Malakoff Berhad from 22% to 51%. As a result of the acquisition, the goodwill amount allocated to the power generation assets and liabilities previously owned by Malakoff Berhad has increased from RM336.2 million to RM340.4 million.

The acquisition contributed revenue of RM2,702 million and profit of RM111 million to the Group for the period from 1 May 2007 to 31 December 2007. Had the acquisition taken effect at the beginning of the year, the revenue and profit contributed to the Group would have been RM3,824 million and consolidated profit for the year would have been RM102 million.

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

	Carrying value (prior to acquisition) RM'000	Fair value (upon acquisition) RM'000
Property, plant and equipment	10,753,489	10,753,489
Intangible assets	–	7,103,796
Prepaid lease payments	115,274	115,274
Investment in associates	683,362	1,541,332
Inventories	442,135	442,135
Trade and other receivables	1,219,707	1,219,707
Other current assets	13,067	13,067
Cash and cash equivalents	2,142,872	2,142,872
Trade and other payables	(1,107,314)	(1,107,314)
Other current liabilities	(23,519)	(23,519)
Borrowings	(9,811,433)	(9,811,433)
Deferred taxation	(847,192)	(2,854,394)
Other non-current liabilities	(189,285)	(189,285)
Fair value of net assets acquired	3,391,163	9,345,727
Goodwill on acquisition (Note 21)		4,198
Minority interest		4,034
Total consideration		9,353,959
Less: Cash available in Malakoff Berhad		(114,617)
Less: Cost of business combination		(46,359)
Net consideration		9,192,983
Less: Cash and cash equivalents of subsidiary acquired		(2,028,255)
Less: Inter company settlement		(2,047,834)
Cash outflow of the Group on acquisition through business combinations		5,116,894

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(d) On 27 June 2007, MMC International Holdings Limited, a wholly-owned subsidiary, acquired the entire issued and paid up share capital of MMC Utilities Limited (formerly known as Focus Point Limited) ("MMC Utilities"), a company incorporated in the British Virgin Islands, for a purchase consideration of USD1,050. The effect of the acquisition of MMC Utilities on the financial results and financial position of the Group for the financial year is not material.

(e) On 24 December 2007, Anglo-Oriental (Nominees) Australia Pty Limited and Malaysia Mining Corporation Australia Pty Limited, both incorporated in Australia and wholly-owned subsidiaries which have been dormant since 2001, were deregistered in accordance with the provisions of Section 509(5) of the Corporations Act following the settlement of tax disputes with the Australian Tax Office.

The effect of deregistration of the subsidiaries on the financial results of the Group is the realisation of foreign exchange gain amounting to RM15 million.

Net cash inflow/(outflow) from business combinations and dilution of interest in a subsidiary are as follows:

Group

		RM'000
Net cash inflow/(outflow):		
(a)	on dilution of interest in RESB	10,000
(b)	on acquisition of the entire assets and undertakings of Malakoff Berhad	(5,116,894)
		(5,106,894)

Details of the subsidiaries are shown in Note 42.

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2007 RM'000	**2006 RM'000**	**2007 RM'000**	**2006 RM'000**
Shares quoted in Malaysia, at cost	**165,031**	949,157	**163,046**	163,046
Unquoted shares, at cost	**1,638,167**	37,695	**4,776**	5,028
Share of post-acquisition reserves	**241,886**	511,770	**–**	–
	2,045,084	1,498,622	**167,822**	168,074
Redeemable preference shares	**–**	3,000	**–**	3,000
Reclassified to Non-current assets held for sale	**–**	(2,635)	**–**	(3,000)
	2,045,084	1,498,987	**167,822**	168,074
Less: Accumulated impairment losses	**(78,107)**	(40,458)	**(11,185)**	(11,437)
	1,966,977	1,458,529	**156,637**	156,637

	Group	
	2007 RM'000	**2006 RM'000**
Represented by:		
Group's share of net assets other than goodwill	**1,114,171**	882,284
Group's share of goodwill in associates' own consolidated financial statements	**18,561**	240,051
Intangible assets arising from acquisition through business combinations	**834,245**	–
Goodwill on acquisition (transfer to Intangible Assets) (Note 21)	**–**	336,194
	1,966,977	1,458,529

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Market value of quoted associates:				
Shares quoted in Malaysia	**1,224,690**	2,631,266	**1,223,221**	631,463

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

	Group	
	2007 RM'000	2006 RM'000
Revenue	**1,111,776**	689,150
Profit for the financial year	**95,468**	116,354
Total assets	**3,927,761**	4,221,558
Total liabilities	**(1,960,784)**	(2,763,029)
	1,966,977	1,458,529

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 42.

The Group has discontinued the recognition of its share of losses of its inactive associates as 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 42.

On 11 January 2007, MMC Engineering Group Berhad, a 99.99% owned subsidiary, disposed off 1,379,400 ordinary shares of RM1.00 each in MMC Defence Sdn Bhd, representing its 30.0% equity interest for a total sale consideration of RM1.8 million.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

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

	Group	
	2007 RM'000	2006 RM'000
Income	**123,986**	650,053
Expenses	**(128,571)**	(655,934)
	(4,585)	(5,881)
Non-current assets	**163,389**	152,299
Current assets	**101,843**	85,017
Current liabilities	**(111,980)**	(90,979)
Net assets	**153,252**	146,337

Details of the Group's jointly controlled entities are shown in Note 42.

18. OTHER INVESTMENTS

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 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	**5,389**	4,156		

The market value of quoted investment approximates its fair value.

19. 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 (2006: RM264.5 million). The terms of the Redeemable Convertible Subordinated Loans are as disclosed in Note 34. Included in the amounts due to subsidiaries (non-current liabilities) are advances totalling RMnil million (2006: RM172.0 million) which represent part of the net investment in these subsidiaries.

	Company	
	2007 RM'000	2006 RM'000
The currency exposure profile of the amounts due from subsidiaries is as follows:		
– Ringgit Malaysia	**564,890**	470,063
– Australian Dollar	**–**	908
	564,890	470,971
The currency exposure profile of the amounts due to subsidiaries is as follows:		
– Ringgit Malaysia	**1,478,493**	560,858
– Australian Dollar	**–**	171,976
	1,478,493	732,834

19. AMOUNTS DUE FROM/TO SUBSIDIARIES (CONTINUED)

	Company	
	2007 RM'000	2006 RM'000
Fair values of amounts due from/to subsidiaries are as follows:		
Amount due from subsidiaries	**461,824**	447,024
Amount due to subsidiaries	**1,431,296**	700,995

20. OTHER ASSETS

	Group and Company	
	2007 RM'000	2006 RM'000
Mining exploration expenditure, at cost	**9,960**	9,931
Impairment losses:		
At 1 January	**9,931**	9,918
Charge for the year	**29**	13
At 31 December	**9,960**	9,931
Carrying value	**–**	–

21. INTANGIBLE ASSETS

	Rights on Power Purchase Agreement and Operations Maintenance Agreement RM'000	Goodwill on consolidation RM'000	Intellectual property RM'000	Development expenditure RM'000	Total RM'000
Group					
Cost					
At 1 January 2007	–	1,838,742	8,000	2,467	1,849,209
Acquisition through business combinations	7,103,796	4,198	–	–	7,107,994
Transfer from Investment in Associates (Note 16)	–	336,194	–	–	336,194
Deemed disposal of a subsidiary	–	(1,281)	–	–	(1,281)
Additions	–	–	–	583	583
At 31 December 2007	**7,103,796**	**2,177,853**	**8,000**	**3,050**	**9,292,699**

21. INTANGIBLE ASSETS (CONTINUED)

	Rights on Power Purchase Agreement and Operations Maintenance Agreement RM'000	Goodwill on consolidation RM'000	Intellectual property RM'000	Development expenditure RM'000	Total RM'000
Amortisation/Impairment losses					
At 1 January 2007					
Accumulated amortisation	–	(107,172)	(533)	(565)	(108,270)
Impairment loss	–	(17,691)	–	–	(17,691)
Amortisation charge	(207,070)	–	(267)	(592)	(207,929)
At 31 December 2007	**(207,070)**	**(124,863)**	**(800)**	**(1,157)**	**(333,890)**
Net book value					
At 31 December 2007	**6,896,726**	**2,052,990**	**7,200**	**1,893**	**8,958,809**
At 31 December 2006	–	1,713,879	7,467	1,902	1,723,248
Amortisation charge for 2006	–	–	(266)	(525)	(791)

Rights on Power Purchase Agreement and Operation and Maintenance Agreement

Certain subsidiaries' revenue are substantially derived from the generation and sale of electricity energy and generating capacity in Malaysia, which is governed by the Power Purchase Agreements ("PPA") (together with the Independent Power Producer ("IPP") Licence issued by the Ministry of Energy, Water and Communications) held by the respective power generating subsidiaries and associates and part of its revenue is also generated from the operations and maintenance of the power plants, which is governed by the Operation and Maintenance Agreements ("OMA") held by the operations and maintenance subsidiaries.

The Group has identified the cashflow generated from the PPA (together with the IPP Licences) and the OMA as the Intangible Assets in this Acquisition. The Group notes that the PPA and the IPP Licences are recognised as a single asset, in view that both are required for the generation and sale of electricity energy and generating capacity in Malaysia.

These PPA and OMA are the key documents that govern the underlying strength of the Group's cash flow, which provide for, inter alia, the electricity tariff, supply, operations and maintenance and all other terms to be met by the Group. Each PPA is tied to one power plant, where its fair value can be separately accounted for, while the OMA are held by certain subsidiaries, of which their fair values can also be accounted for.

21. INTANGIBLE ASSETS (CONTINUED)

Rights on Power Purchase Agreement and Operation and Maintenance Agreement (continued)

The fair value of the Intangible Assets arising from the PPA and OMA are measured using the Multi-Period Excess Earnings Method ("MEEM") under the income method. The underlying rationale in the MEEM is that the fair value of an Intangible Asset represents the present value of the net income after taxes attributable to the Intangible Asset. The net income attributable to the Intangible Asset is the excess income after charging a fair return on and of all the assets that are necessary (contributory assets) to realise the net income. The contributory asset charges ("CAC") are based on the fair value of each contributory asset and represent the return on and return of the assets. The assumption in calculating the CAC is that the owner of the Intangible Asset "rents" or "leases" the contributory assets from a hypothetical third party in an arm's length transaction in order to be able to derive income from the Intangible Asset. The present value of the expected income attributable to the Intangible Assets less CAC and taxes represents the value of the Intangible Asset.

The management had applied the following key assumptions in deriving the present value of the net income after taxes attributable to the Intangible Asset:

• Remaining useful life of PPA/OMA	12 – 24 years
• Dependable capacity	350MW – 2,420MW
• Capacity factor	45% to 75% of dependable capacity
• Net electrical output (million kW/hour)	2,300 – 11,197
• Capacity Rate (RM/kW/month)	11.61 – 50.00
• Fixed Operating Rate under Revenue (RM/kW/ month)	4.00 – 10.50
• Variable Operating Rate under Revenue (RM/kW/ month)	0.013 – 0.025
• Fuel price (RM/mBtu)	4.60 – 6.50
• CAC	17.77% – 28.00% of EBITDA

In applying the MEEM valuation methodology, the expected cash flows are discounted to their present value equivalent using an average industrial rate of return that reflects the relative risk of the cashflows, as well as the time value of money. This is calculated by weighing the required returns on debt and equity in proportion to their assumed percentages.

The Intangible Assets with finite useful lives are amortised based on the Net Electrical Output generated from the PPA companies and Fixed Operation and Maintenance income generated from the OMA companies as management represented that these basis best represent the pattern in which the Intangible Assets future economic benefits are expected to be consumed by the Group. The amortisation is charged to cost of sales in the income statement.

21. INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

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

	2007 RM'000	2006 RM'000
Pelabuhan Tanjung Pelepas Sdn Bhd		
– Port Business	**1,709,140**	1,709,140
Malakoff Corporation Berhad		
– Electricity Generation Business	**340,392**	–
Recycle Energy Sdn Bhd		
– Management and treatment of municipal solid waste and production of renewable energy	**3,458**	4,739
	2,052,990	1,713,879

Pelabuhan Tanjung Pelepas Sdn Bhd

The recoverable amount of Port Business is determined based on a "value in use" calculation. The "value in use" of Port Business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of goodwill by RM507 million. The "value in use" is derived based on management's cash flow projections for 5 financial years from 2008 to 2012 and the key assumptions used in the calculation of "value in use" are as follows:

(a) Projected annual Twenty-Foot Equivalent Unit ("TEU") of 6.5 million to 8.5 million over the projection period from 2008 to 2012;

(b) The cash flow projections after 2012 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

(c) Pre-tax discount rates ranging from 9.77% to 10.05% per annum 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.

Management's judgement is involved in estimating the future cash flows of Port Business. The "value in use" is sensitive to, amongst others, the projected cash flows during the explicit projection period and the assumptions regarding the long term sustainable pattern of cash flows thereafter. The circumstances where a reasonably possible change in the key assumptions will cause an impairment loss to be recognised include the following:

(i) A decrease of 4.1% per annum 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 3.2% 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 was to reduce by an additional 1% per annum from the breakeven point as mentioned in (i) above (i.e. decrease of 5.1% 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 RM83 million.

21. INTANGIBLE ASSETS (CONTINUED)

Malakoff Corporation Berhad

The impairment of goodwill test on the Electricity Generation Business ("EGB") was conducted using its "value in use" as its recoverable amount. The "value in use" for EGB was determined by discounting the future cash flows generated from the continuing use of its power plants based on management's cash flow projections for 24 financial years from 2008 to 2031. Management believe that a period greater than 5 years used in the cash flow projections is justified as the income derived during the extended period can be supported by its PPA and OMA which has a remaining useful life ranging from 12 to 24 years.

The cash flows were prepared to exclude any effect on tax payments and receipts. The key assumptions used in the calculation of "value in use" are as follows:

(a) Revenue was determined based on the power plants operating at 70% of its dependable capacity over the projection period at a fixed and variable operating rate determined by the PPA;

(b) A pre-tax discount rate was applied over the period of cash flow projections in determining the recoverable amount of the EGB.

The key assumptions used reflect past experience of management.

22. 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	**15,730**	6,603	**–**	–
Deferred tax liabilities:				
– subject to income tax	**(3,143,186)**	(303,822)	**–**	(100)
– subject to capital gains tax	**–**	(156)	**–**	–
	(3,143,186)	(303,978)	**–**	(100)
	(3,127,456)	(297,375)	**–**	(100)
At 1 January	**(297,375)**	(90,415)	**(100)**	1,476
(Charged)/credited to income statement:				
– property, plant and equipment	**(52,019)**	(36,803)	**59**	(26)
– receivables	**(2,385)**	14,466	**–**	(1,542)
– payables	**(518)**	446	**–**	–
– tax losses	**530**	(1,120)	**–**	–
– provisions	**18,180**	(187)	**41**	(8)
– intangibles	**58,148**	–	**–**	–
– others	**2,377**	(11)	**–**	–
	24,313	(23,209)	**100**	(1,576)
Acquisition through business combinations	**(2,854,394)**	(183,751)	**–**	–
At 31 December	**(3,127,456)**	(297,375)	**–**	(100)

22. DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	**–**	172	**50**	–
Receivables	**12,653**	15,038	**–**	–
Payables	**126**	644	**–**	–
Tax losses	**14,295**	13,765	**–**	–
Provisions	**43,170**	4,529	**112**	71
Others	**3,006**	–	**–**	–
	73,250	34,148	**162**	71
Offsetting	**(57,520)**	(27,545)	**(162)**	(71)
Deferred tax assets (after offsetting)	**15,730**	6,603	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(1,234,730)**	(331,367)	**(162)**	(171)
Intangibles	**(1,949,054)**	–	**–**	–
Others	**(16,922)**	–	**–**	–
	(3,200,706)	(331,367)	**(162)**	(171)
Offsetting	**57,520**	27,545	**162**	71
Deferred tax liabilities (after offsetting)	**(3,143,186)**	(303,822)	**–**	(100)
Subject to capital gains tax:				
Property, plant and equipment	**–**	(156)	**–**	–

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	
	2007 RM'000	2006 RM'000
Deductible temporary differences	**9,687**	61,068
Tax losses	**323,772**	258,432
	333,459	319,500

23. INVENTORIES

	Group 2007 RM'000	Group 2006 RM'000
At cost:		
Spares, consumables and container repair materials	**347,536**	21,555
Diesels and Fuels	**55,082**	–
Coals	**111,011**	–
Raw materials	**4,312**	4,265
Work-in-progress	**8,761**	5,182
Manufactured inventories	**1,594**	1,250
	528,296	32,252
At net realisable value:		
Raw materials	**–**	31
Manufactured inventories	**–**	1,039
	528,296	33,322

Inventories of the Group of RM26.8 million (2006: RM22.7 million) comprising spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 29.

24. NON-CURRENT ASSETS HELD FOR SALE

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Leasehold land	**192**	192	**–**	–
Investment in associates	**–**	2,635	**–**	–
Redeemable preference shares	**–**	–	**–**	3,000
Investment in a subsidairy	**–**	–	**11,448**	–
	192	2,827	**11,448**	3,000

On 18 December 2007, the Company entered into a conditional Share Sale Agreement with PLUS Expressways Berhad, to dispose off its entire equity interest in Konsortium Lebuhraya Butterworth-Kulim (KLBK) Sdn Bhd for a cash consideration of RM134.0 million. As at 27 February 2008, the disposal is yet to be completed.

The carrying amount of the investment in this subsidiary has been presented as a non-current asset held for sale on the Company's balance sheet as at 31 December 2007.

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade receivables	**1,101,798**	372,825	**3,173**	3,237
Less: Allowance for doubtful debts	**(97,541)**	(31,162)	**(8)**	(8)
	1,004,257	341,663	**3,165**	3,229
Other receivables	**202,220**	58,685	**510**	600
Less: Allowance for doubtful debts	**(3,619)**	(2,005)	**–**	–
	198,601	56,680	**510**	600
Deposits	**36,738**	19,893	**1,437**	987
Prepayments	**263,189**	9,334	**–**	–
	498,528	85,907	**1,947**	1,587
Advances received on contracts (Note 37)	**619**	2,167	**–**	–
Amount due from contract customers (Note 37)	**53,959**	50,924	**–**	–
Amounts due from associates	**160,348**	918	**1,895**	2,549
Less: Allowance for doubtful debts	**–**	–	**(1,648)**	(1,643)
	160,348	918	**247**	906
Amounts due from jointly controlled entities	**9,644**	36,012	**51,138**	36,012
	1,727,355	517,591	**56,497**	41,734

Included in other receivables of the Group are permanent resettlement costs of RM0.4 million (2006: RM2.9 million). 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
The currency exposure profile of trade receivables are as follows:				
– Ringgit Malaysia	**987,465**	320,030	**–**	–
– US Dollar	**10,353**	14,371	**3,165**	3,229
– Australian Dollar	**5,118**	5,923	**–**	–
– Others	**1,321**	1,339	**–**	–
	1,004,257	341,663	**3,165**	3,229

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Credit terms of trade receivables of the Group and Company vary from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

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

The amounts due from jointly controlled entities are unsecured, interest free, have no fixed terms of repayment and denominated in Ringgit Malaysia.

26. AMOUNT DUE FROM HOLDING COMPANY

	Group and Company	
	2007	**2006**
	RM'000	**RM'000**
Amount due from holding company	**15,780**	15,780

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

27. MARKETABLE SECURITIES

	Group	
	2007	**2006**
	RM'000	**RM'000**
Shares in a corporation quoted in Malaysia, at cost:	**61,599**	85,760
Less: Accumulated impairment loss	**(393)**	(484)
	61,206	85,276
Market value:		
– quoted in Malaysia	**351,087**	295,882

Marketable securities amounting to RM55.3 million (2006: RM79.3 million) are pledged as security for borrowings as disclosed in Note 29.

28. DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits with:				
– Licensed banks	**2,846,205**	441,445	**74,951**	74,973
– Finance companies	**80,243**	749	**–**	–
– Other financial institutions	**6,641**	159,973	**2,017**	75,872
	2,933,089	602,167	**76,968**	150,845
Cash and bank balances	**377,685**	64,248	**2,564**	585
	3,310,774	666,415	**79,532**	151,430
The currency exposure profile of the deposits, bank and cash balances are as follows:				
– Ringgit Malaysia	**3,306,527**	657,213	**77,441**	142,929
– US Dollar	**2,156**	–	**–**	–
– Australian Dollar	**1,390**	8,488	**1,390**	7,787
– Pound Sterling	**701**	714	**701**	714
	3,310,774	666,415	**79,532**	151,430

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

	Group		Company	
	2007 % per annum	2006 % per annum	2007 % per annum	2006 % per annum
Deposits placed with:				
Licensed banks	**3.61**	3.51	**3.31**	4.63
Finance companies	**4.18**	3.51	**–**	–
Other financial institutions	**3.35**	3.08	**5.81**	3.53

Deposits of the Group have an average maturity of 70 days (2006: 30 days).

29. BORROWINGS

		Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current					
US Dollar term loans	– secured	**–**	14,972	**–**	–
Al-Murabahah					
– Commercial Papers	– secured	**761,684**	194,000	**–**	–
– Medium Term Notes	– secured	**–**	35,000	**–**	–
Term loans	– secured	**297,469**	219,659	**100,000**	–
Multi-option line	– secured	**12,351**	28,191	**–**	–
	– unsecured	**79,667**	75,823	**65,000**	65,000
Sukuk Ijarah	– secured	**99,689**	–	**–**	–
Al-Bai' Bithaman Ajil Bonds	– secured	**120,000**	–	**–**	–
Al-Istisna Bonds	– secured	**347,983**	–	**–**	–
		1,718,843	567,645	**165,000**	65,000
Non-current					
Term loans	– secured	**3,064,022**	3,205,693	**1,062,821**	1,248,446
Bai' Bithaman Ajil Islamic Debt Securities	– secured	**172,153**	171,301	**–**	–
Medium Term Notes	– secured	**5,155,028**	–	**–**	–
Sukuk Ijarah	– secured	**760,366**	–	**–**	–
Al-Bai' Bithaman Ajil Bonds	– secured	**730,000**	–	**–**	–
Al-Istisna Bonds	– secured	**5,807,353**	–	**–**	–
Junior Sukuk	– unsecured	**1,700,000**	–	**–**	–
Redeemable Convertible Loan Stock	– unsecured	**195,717**	–	**–**	–
		17,584,639	3,376,994	**1,062,821**	1,248,446
Total		**19,303,482**	3,944,639	**1,227,821**	1,313,446
The currency exposure profile of the borrowings are as follows:					
– Ringgit Malaysia		**19,303,482**	3,929,667	**1,227,821**	1,313,446
– US Dollar		**–**	14,972	**–**	–
		19,303,482	3,944,639	**1,227,821**	1,313,446
Fair values of term loans are as follows:					
– US Dollar term loans		**–**	14,972	**–**	–
– Term loans		**3,258,008**	3,242,298	**1,227,821**	1,313,446

29. BORROWINGS (CONTINUED)

(i) The USD long-term loan of the Group of USD63 million was arranged with the Japan Bank for International Cooperation and drawndown over nine instalments from 30 July 1993. Repayments are by fourteen half-yearly increasing instalments commencing 31 July 2000. The loan is subject to a fixed interest rate of 6.1% (2006: 6.1%) per annum. This loan has been fully settled in January 2007.

(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. The profit rates per annum for Al-Murabahah Commercial Papers/Medium-Term Notes Programme and Al-Murabahah Medium-Term Notes Issuance Programme are 3.51% and 4.25% (2006: 3.45% and 4.25%) respectively.

(iii) Interest on term loans of a subsidiary are charged at a fixed rate which ranges from 5% to 6% (2006: 5% to 6%) per annum. Two of the bank loans will be charged at a rate of 1.5% above the effective cost of funds of the lender from November 2010 onwards. A Second New Facility Agreement was executed on 17 August 2006 with a fixed interest rate of 1% per annum above the effective cost of funds of the lender to be fixed at each drawdown date until 31 December 2016 and floating interest rate of 1% above the cost of funds of the lender from 1 January 2017 onwards.

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

The bank loans are secured by:

(i) a fixed and floating charge by way of debenture over all the assets and undertaking of a subsidiary company amounting to approximately RM3.0 billion (2006: RM2.9 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.

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

29. BORROWINGS (CONTINUED)

(v) Pursuant to a Trust Deed between a subsidiary 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.

(vi) 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 4.54% to 6.65% (2006: 4.77% to 6.65%) per annum. The tenure of the loans ranges from 2 – 6 years with bullet repayments on maturity from the dates of drawdown and 7 semi-annual instalments. The revolving credit facility of the Company is unsecured and bears interest ranging from 4.48% to 4.52% (2006: 4.50% to 5.05%) per annum.

(vii) The Bonds and bank loans issued by subsidiaries are secured over property, plant and equipment with a carrying amount of RM10,545 million (2006: RMnil) and prepaid lease payments with a carrying amount of RM6 million (2006: RMnil). These borrowings are subject to the fulfilment of the following significant covenants:

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

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

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

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

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

The profit rates and interest rates per annum for the above bank facilities range from 3.7% to 9% (2006: nil) and from 6% to 16% (2006: nil) respectively.

29. BORROWINGS (CONTINUED)

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Analysis of repayment schedule:				
Within 1 year	**1,718,843**	567,645	**165,000**	65,000
From 1 to 2 years	**1,034,916**	239,459	**–**	–
From 2 to 5 years	**4,953,980**	780,178	**845,200**	631,000
After 5 years	**11,595,743**	2,357,357	**217,621**	617,446
	19,303,482	3,944,639	**1,227,821**	1,313,446

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade payables	**458,776**	302,943	**18,449**	41,894
Other payables	**301,283**	213,451	**24,063**	9,497
Accruals	**420,099**	120,356	**1,553**	2,672
Advances received on contracts	**1,626**	7,738	**–**	–
Amount due to contract customers (Note 37)	**14,204**	11,700	**–**	–
Provision for retirement benefits (Note 30(a))	**1,138**	1,313	**–**	–
	1,197,126	657,501	**44,065**	54,063
The currency exposure profile of the trade payables are as follows:				
– Ringgit Malaysia	**446,995**	298,759	**18,449**	41,894
– US Dollar	**11,336**	2,489	**–**	–
– Others	**445**	1,695	**–**	–
	458,776	302,943	**18,449**	41,894

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

30. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Provision for retirement benefits

	Group	
	2007 RM'000	2006 RM'000
At 1 January	**16,441**	893
Acquisition through business combinations	**23,519**	15,285
Charged to income statement	**5,018**	843
Utilised during the financial year	**(1,951)**	(580)
At 31 December	**43,027**	16,441
Analysed as:		
Current	**1,138**	1,313
Non-current	**41,889**	15,128
	43,027	16,441
Non-current		
Present value of unfunded obligations	**43,458**	15,755

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

	2007 RM'000	2006 RM'000
Present value of unfunded obligations	**43,458**	15,755
Unrealised actuarial (gains)/losses	**(431)**	686
Net liability recognised in the balance sheet	**43,027**	16,441

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

	2007 RM'000	2006 RM'000
Current service cost	**3,823**	661
Interest cost	**1,195**	182
Expense recognised in the income statement	**5,018**	843

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

	2007 %	2006 %
Discount rate	**5.3 to 6.7**	5.3 to 6.0
Interest cost	**5.0 to 6.7**	5.0

31. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 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 31 December	**1,522,529**	1,522,529	**152,253**	152,253

32. RESERVES

As at 31 December 2007, subject to the agreement of the Inland Revenue Board, the Company has sufficient Section 108 tax credits and tax exempt income to pay RM7.9 million (2006: RM28.9 million) out of the distributable reserves of the Company as franked and exempt dividends.

33. REDEEMABLE PREFERENCE SHARES

	Group	
	2007 RM'000	2006 RM'000
Redeemable Preference Shares of RM0.01 each:		
At 1 January	**940**	670
Issued and paid up during the year	**200**	270
At 31 December	**1,140**	940
Premium on Redeemable Preference Shares:		
At 1 January	**93,106**	66,330
Issued and paid up during the year	**19,805**	26,776
At 31 December	**112,911**	93,106
Classified as liabilities	**114,051**	94,046

During the financial year, a subsidiary has issued 20,005,599 Redeemable Preference Shares ("RPS") of RM0.01 each at an issue price of RM1.00 each.

33. REDEEMABLE PREFERENCE SHARES (CONTINUED)

Details of the Redeemable Preference Shares are as follows:

(i) The RPS shall be fully redeemable in five equal instalments at the total amount of RM114.1 million to be payable on 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.

34. REDEEMABLE CONVERTIBLE SUBORDINATED LOANS

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

	Group	
	2007	**2006**
	RM'000	**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 60 months commencing from 1 January 2003 until 31 December 2007.

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

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

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

35. LAND LEASE RECEIVED IN ADVANCE

	Group	
	2007 RM'000	2006 RM'000
At cost:		
At 1 January	**178,483**	–
Acquisition through business combinations	**–**	192,469
Addition during the year	**38,824**	–
Recognised as income during the financial year	**(7,994)**	(5,992)
Recognisable within next 12 months	**(10,664)**	(7,994)
At 31 December	**198,649**	178,483

36. DEFERRED INCOME

	Group	
	2007 RM'000	2006 RM'000
At 1 January	**54,924**	57,704
Recognised as income during the financial year	**(6,259)**	(2,780)
At 31 December	**48,665**	54,924
Analysed as:		
Deferred income realisable within 12 months	**857**	6,259
Deferred income realisable after 12 months	**47,808**	48,665
	48,665	54,924

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) (vi).

37. CONSTRUCTION CONTRACTS

	Group 2007 RM'000	Group 2006 RM'000
Aggregate costs incurred and recognised profits (less losses) to date	**677,485**	669,577
Progress billings	**(637,730)**	(630,353)
	39,755	39,224
Amount due from contract customers (Note 25)	**53,959**	50,924
Amount due to contract customers (Note 30)	**(14,204)**	(11,700)
	39,755	39,224
Advances received on contracts (Note 25)	**619**	2,167
Retentions on contracts	**9,499**	8,043

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

	Group 2007 RM'000	Group 2006 RM'000
Office rental	**2,345**	52
Depreciation of property, plant and equipment	**12**	169
Hire of plant and machinery	**455**	732
Staff cost	**13,682**	13,513
Staff cost consists of the following:		
Salaries, wages and bonus	**12,090**	12,054
Defined contribution plan	**1,513**	1,374
Other employee benefits	**79**	85
	13,682	13,513

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

38. SEGMENTAL INFORMATION

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

(a) Primary reporting format – Business segments:

	Transport and logistics RM'000	Energy and utilities RM'000	Engineering and construction RM'000	Others RM'000	Total RM'000
2007					
Revenue					
Total	1,208,450	4,298,233	204,087	38,133	5,748,903
Inter-segment	–	–	(26,870)	–	(26,870)
External	1,208,450	4,298,233	177,217	38,133	5,722,033
Results					
Segment profit	418,053	1,228,066	1,770	101,367	1,749,256
Interest income					147,085
Finance costs					(969,182)
Share of results of associates	–	45,688	50,681	(901)	95,468
Share of results of jointly controlled entities	–	–	(4,585)	–	(4,585)
Profit before taxation					1,018,042
Taxation					(156,999)
Net profit for the financial year					861,043
Other information					
Segment assets	6,181,283	20,972,116	173,574	294,254	27,621,227
Associates	23,529	1,536,031	390,576	16,841	1,966,977
Interest-bearing instruments	508,315	2,703,380	4,931	94,148	3,310,774
Total assets					32,898,978
Segment liabilities	702,139	3,840,850	26,094	86,405	4,655,488
Interest-bearing instruments	2,559,473	15,767,832	8,100	1,240,483	19,575,888
Total liabilities					24,231,376
Other disclosures					
Capital expenditure	188,432	314,072	335	9,826	512,665
Depreciation	154,505	417,091	405	8,189	580,190
Amortisation of:					
– Rights on Power Purchase Agreement and Operations and Maintenance Agreement	–	230,795	–	–	230,795
– prepaid lease payments	16,441	3,374	–	62	19,877
Impairment loss	–	694	–	–	694

38. SEGMENTAL INFORMATION (CONTINUED)

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

	Transport and logistics RM'000	Energy and utilities RM'000	Engineering and construction RM'000	Others RM'000	Total RM'000
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
Results					
Segment profit	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
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	141,742	44,649	47	12,472	198,910
Amortisation of prepaid lease payments	78	387	–	345	810
Impairment loss	–	2,326	–	1,698	4,024

(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.

39. SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Pantai Bayu contended that the termination was lawful and filed a counter claim of RM56.7 million against the JV. No dates have been fixed for the arbitration.

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

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

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

(c) On 28 March 2007, Prai Power Sdn Bhd ("PPSB"), a wholly-owned subsidiary of Malakoff Corporation Berhad (formerly known as Nucleus Avenue (M) Berhad), the Company's 51.0% owned subsidiary, commenced arbitration proceedings against Tenaga Nasional Berhad ("TNB") claiming a sum of approximately RM11.9 million which PPSB alleged TNB had wrongfully deducted from available capacity payments due and payable to PPSB for the month of November 2006. TNB had responded stating that its deductions were in accordance with the Power Purchase Agreement between PPSB and TNB and had filed a counterclaim against PPSB. TNB had then applied to the arbitral tribunal for leave to amend its Defence and Counterclaim and to file a Rejoinder in the proceedings to introduce events and matters since June 2003.

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

PPSB has since issued to TNB, via its solicitors, an amended Statement of Claim revising PPSB's claim approximately from RM11.9 million to RM113.7 million. The additional sum of RM101.8 million being claimed is the amount due and payable by TNB to PPSB in respect of capacity payments from June 2003 to October 2006.

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

(d) The Power Purchase Agreement between Segari Energy Ventures Sdn Bhd ("SEV"), a 93.75% owned subsidiary of Malakoff Corporation Berhad (formerly known as Nucleus Avenue (M) Berhad), the Company's 51.0% owned subsidiary, with Tenaga Nasional Berhad ("TNB") contains procedures for determining inaccuracies of the metering devices used for billing purposes. These devices are owned, operated, maintained and controlled solely by TNB. Up to 2003, there had been a history of metering inaccuracies to the detriment of SEV. Despite various tests carried out by SEV confirming the inconsistencies, TNB refused to acknowledge the inconsistencies. However, sometime in September 2005, TNB alleged that they had carried out tests and claimed that the metering inaccuracies have resulted in overpayments of RM87.5 million. On 13 December 2007, TNB issued a notice of arbitration to resolve the dispute with SEV. The notice of arbitration does not state any specific amount to be claimed from SEV and the amount is not known at this point in time.

The Company, in consultation with the solicitors, is of the view that there is a favourable chance of successfully defending TNB's claims in the arbitration proceedings.

39. SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

(e) At 31 December 2007, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank guarantees issued to third parties for performance	**470,417**	95,810	**3,749**	50,004

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

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

40. COMMITMENTS

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	**147,541**	273,982	**1,473**	698
Authorised and contracted for	**676,222**	474,296	**–**	–
Total	**823,763**	748,278	**1,473**	698

(b) Non-cancellable operating lease commitments

	Group	
	2007 RM'000	2006 RM'000
(i) For computer hardware		
Not later than 1 year	**2,628**	2,261
Later than 1 year and not later than 5 years	**1,921**	4,182
	4,549	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	**120,000**	130,000
	170,000	180,000

40. COMMITMENTS (CONTINUED)

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

	Group	
	2007	2006
	RM'000	RM'000
(iii) For rental of office building and equipment		
Not later than 1 year	**1,915**	1,855
Later than 1 year and not later than 5 years	**1,856**	3,653
	3,771	5,508
Total	**178,320**	191,951

41. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
(a) Transactions				
Subsidiaries:				
Acquisition of equity interest in associated company from a subsidiary	**–**	–	**784,126**	–
Disposal of equity interest in associated company	**–**	–	**2,047,834**	–
Companies subject to common significant influence:				
Operation and maintenance fee expense	**130,498**	–	**–**	–
Operation and maintenance subcontract fee income	**66,259**	–	**–**	–
Dredging works	**2,674**	1,844	**–**	–
Rental expense	**1,495**	–	**1,215**	–
Companies related to Directors:				
Professional fees	**62**	1,677	**–**	292

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

(b) Key management compensation

	Group/Company	
	2007	2006
	RM'000	RM'000
Salaries and bonus	**2,759**	1,659
Defined contribution plan	**351**	199
Other employee benefits	**152**	22
	3,262	1,880

42. 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 2007 %	Group's effective interest 2006 %	Principal activities
	Anglo-Oriental (Annuities) Sdn Bhd	Malaysia	**100.0**	100.0	Investment holding
	Anglo-Oriental (Malaya) Sdn Bhd	Malaysia	**100.0**	100.0	Property and investment holding
	Anglo-Oriental (Malaya) Trustees Sdn Bhd	Malaysia	**100.0**	100.0	Trust management
*	Anglo-Oriental (Nominees) Australia Pty Limited	Australia	**–**	100.0	Investment holding
	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	Australian representative office of MMC
	Pernas Charter Management Sdn Bhd	Malaysia	**100.0**	100.0	Mine management
	MMC Frigstad Offshore Sdn Bhd	Malaysia	**100.0**	100.0	Property investment
	MMC Marketing Sdn Bhd	Malaysia	**100.0**	100.0	Property investment
	Timah Securities Berhad	Malaysia	**100.0**	100.0	Property investment
	Tronoh Holdings (Selangor) Sdn Bhd	Malaysia	**100.0**	100.0	Property investment

42. COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
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
MMC-Shapadu (Holdings) Sdn Bhd	Malaysia	**76.0**	76.0	Investment holding
Prima Metal Industries Sdn Bhd (formerly known as MMC Metal Industries Sdn Bhd)	Malaysia	**75.7**	75.7	Manufacture and sale of steel castings
Pelepas-Brigantine Services Sdn Bhd (formerly known as Pelepas Brigantine Container Services Sdn Bhd)	Malaysia	**49.0**	49.0	Repair, prepare and trade of containers, containerisation system and other related works
Tepat Teknik Sdn Bhd	Malaysia	**69.9**	69.9	Construction and fabrication

42. COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
	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 weather strips
++	Kramat Tin Dredging Berhad	Malaysia	**52.9**	52.9	Tin mining operations (under restructuring)
	Prima Precision Sdn Bhd (formerly known as 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
	Gas Malaysia Sdn Bhd	Malaysia	**41.8**	41.8	Construction and operation of natural gas distribution system
*	Johor Port Berhad	Malaysia	**100.0**	100.0	Port operations
	Pelantar Teknik (M) Sdn Bhd	Malaysia	**41.8**	41.8	Property holding
	Gas Malaysia (LPG) Sdn Bhd	Malaysia	**41.8**	41.8	Supply of liquefied petroleum gas via reticulation system
	Recycle Energy Sdn Bhd	Malaysia	**51.0**	70.0	Conversion of municipal solid waste to energy
	MMC-Transfield Services Sdn Bhd	Malaysia	**51.0**	51.0	Asset management operations and maintenance services (under liquidation)
	MMC-VME Sdn Bhd	Malaysia	**61.0**	61.0	Natural gas separation works

42. COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
*	JP Logistics Sdn Bhd	Malaysia	**100.0**	100.0	Providing logistics services
*	Bernas Logistics Sdn Bhd	Malaysia	**75.0**	75.0	Providing logistics services
*	Seaport Worldwide Sdn Bhd	Malaysia	**100.0**	100.0	Investment holding and property development
*	MMC International Holdings Ltd	British Virgin Islands	**100.0**	100.0	Investment holding
*	Malakoff Corporation Berhad (formerly known as Nucleus Avenue (M) Bhd)	Malaysia	**51.0**	100.0	Investment holding and provision of management services to its subsidiaries
*	Segari Energy Ventures Sdn Bhd	Malaysia	**47.8**	–	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of power plant
*	Teknik Janakuasa Sdn Bhd	Malaysia	**51.0**	–	Operation and maintenance of power plants
*	GB3 Sdn Bhd	Malaysia	**38.3**	–	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant
*	Prai Power Sdn Bhd	Malaysia	**51.0**	–	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant

42. COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	2006 %	Principal activities
*	Tanjung Bin Power Sdn Bhd	Malaysia	**45.9**	–	Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of 2,100 MW coal fired electricity generating facilities located at Tanjung Bin, Daerah Pontian, Johor Darul Takzim and sale of electrical energy and generating capacity of the power plant
*	Malakoff Engineering Sdn Bhd	Malaysia	**51.0**	–	Provision of engineering and project management services
*	Wirazone Sdn Bhd	Malaysia	**51.0**	–	Build, own and operate an electricity distribution system and a centralised chilled water plant system
*	Hypergantic Sdn Bhd	Malaysia	**51.0**	–	Investment holding
*	Desa Kilat Sdn Bhd	Malaysia	**27.5**	–	Land reclamation, development and/or sale of reclaimed land
*	Malakoff AlDjazair Desal Sdn Bhd	Malaysia	**51.0**	–	Investment holding
*	TJSB Global Sdn Bhd	Malaysia	**51.0**	–	Investment holding
*	Tuah Utama Sdn Bhd	Malaysia	**51.0**	–	Investment holding
*	Natural Analysis Sdn Bhd	Malaysia	**51.0**	–	Operation and maintenance of power plants
*	Malakoff International Limited	Cayman Islands	**51.0**	–	Investment holding
*	Malakoff Gulf Limited	British Virgin Islands	**51.0**	–	Investment holding
*	Malakoff Technical (Dhofar) Limited	British Virgin Islands	**51.0**	–	Investment holding
*	Malakoff Jordan Generation Limited	British Virgin Islands	**51.0**	–	Investment holding

42. COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Principal activities
*	Tlemcen Desalination Investment Company SAS	France	**35.7**	–	Investment holding
*	TJSB International Limited	Cayman Islands	**51.0**	–	Investment holding
*	TJSB International (Shoaiba) Limited	British Virgin Islands	**51.0**	–	Investment holding
*	TJSB Middle East Limited	British Virgin Islands	**51.0**	–	Investment holding
*	MMC Amec Sdn Bhd	Malaysia	**51.0**	–	Engineering and design services for upstream and downstream oil and gas industry

Inactive subsidiaries

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %
	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 (in voluntary liquidation)	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	**99.9**	99.9
	More Furniture Ideas (M) Sdn Bhd (under creditors' liquidation)	Malaysia	**100.0**	100.0

42. COMPANIES IN THE GROUP (CONTINUED)

Inactive subsidiaries (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	2006 %
	Projek Lebuhraya Timur Sdn Bhd	Malaysia	**100.0**	100.0
	Southern Kinta Consolidated (M) Berhad	Malaysia	**100.0**	100.0
	Southern Malayan Tin Dredging (M) Berhad	Malaysia	**100.0**	100.0
	Alam Dergahayu (Johor) Sdn Bhd (in voluntary liquidation)	Malaysia	**99.9**	99.9
*	MMC EG Co. Ltd	Mongolia	**90.0**	90.0
	Asia Foundry Sdn Bhd (formerly known as MMI Foundry Sdn Bhd)	Malaysia	**75.7**	75.7
	Timah Dermawan Sdn Bhd	Malaysia	**51.8**	51.8
*	Tepat Teknik (Labuan) Ltd	Malaysia	**69.9**	69.9
	Tepat Teknik (Sarawak) Sdn Bhd	Malaysia	**69.9**	69.9
	Prentis Sdn Bhd	Malaysia	**100.0**	100.0
*	Speededge International Limited	British Virgin Islands	**100.0**	100.0
*	MMC Saudi Holdings Ltd (formely known as MMC Saudi Arabia Ltd)	British Virgin Islands	**100.0**	100.0
*	City Island Holdings Limited	British Virgin Islands	**100.0**	–
*	MMC Utilities Limited	British Virgin Islands	**100.0**	–
*	Transpool Sdn Bhd	Malaysia	**51.0**	–
*	Spring Assets Limited	British Virgin Islands	**51.0**	–
*	Malakoff Capital (L) Limited	Malaysia	**51.0**	–
*	KuwMal Investments Limited	British Virgin Islands	**51.0**	–
*	MMC Saudi Arabia Ltd	Kingdom of Saudi Arabia	**100.0**	–

Associates

	Name of company	Country of incorporation	Group's effective interest 2007 %	2006 %	Accounting date for inclusion of company results	Principal activities
++ *	Integrated Rubber Corporation Berhad	Malaysia	**20.1**	20.1	31.10.2007	Manufacture and trading of natural rubber latex gloves
++ *	Malakoff Berhad	Malaysia	**–**	22.0	30.04.2007	Power generation

42. COMPANIES IN THE GROUP (CONTINUED)

Associates (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Accounting date for inclusion of company results	Principal activities
++	Zelan Berhad	Malaysia	**39.2**	39.2	31.10.2007	Investment holding, civil engineering and construction of power plant and buildings
	Defence Services Sdn Bhd (formerly known as MMC Defence Sdn Bhd)	Malaysia	**–**	29.9	31.12.2006	Specialised defence engineering works
	Kapar Energy Ventures Sdn Bhd	Malaysia	**20.4**	–	31.12.2007	Generation and sale of electricity
	Port Dickson Power Berhad	Malaysia	**12.8**	–	31.12.2007	Generation and sale of electricity
*	Lekir Bulk Terminal Sdn Bhd	Malaysia	**10.2**	–	31.12.2007	Bulk terminal jetty and coal handling services
*	Malaysian Shoaiba Consortium Sdn Bhd	Malaysia	**20.4**	–	31.12.2007	Investment holding
*	Almiyah Attilemcania SPA	Algeria	**18.2**	–	31.12.2007	Construction, operation and management of a sea water desalination plant & marketing the desalinated water produced
*	Saudi-Malaysia Water & Electricity Company Limited	Kingdom of Saudi Arabia	**10.2**	–	31.12.2007	Investment holding
*	Shuaibah Water & Electricity Company Limited	Kingdom of Saudi Arabia	**6.1**	–	31.12.2007	Design, construction, commissioning, testing, ownership, operation and maintenance of oil fired power generation and water desalination plant

42. COMPANIES IN THE GROUP (CONTINUED)

Associates (continued)

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %	Accounting date for inclusion of company results	Principal activities
*	Shuaibah Expansion Holding Company Limited	Kingdom of Saudi Arabia	**6.1**	–	31.12.2007	Drinking water production
*	Shuaibah Expansion Project Company Limited	Kingdom of Saudi Arabia	**6.0**	–	31.12.2007	Development construction, possession, operation and maintenance of Shuaibah expansion project for water product at Shuaibah region, water transport and sale and all relevant works and activities
*	Oman Technical Partners Limited	British Virgin Islands	**22.1**	–	31.12.2007	Investment holding
*	Salalah Power Holdings Limited	Bermuda	**22.1**	–	31.12.2007	Investment holding
*	Dhofar Power Company S.A.O.G	Oman	**10.2**	–	31.12.2007	Electricity, generation, transmission, distribution in the region of Salalah, Oman
*	Enara Energy Investment Company	Jordan	**12.7**	–	31.12.2007	Investment holding
*	Central Electricity Generating Company Limited	Jordan	**6.5**	–	31.12.2007	Generate electrical energy in different regions of Jordan
*	Al-Imtiaz Operation and Maintenance Company Limited	Kingdom of Saudi Arabia	**10.2**	–	31.12.2007	Implementation of operation and maintenance contracts for stations of electrical power generation and water desalination
*	Saudi-Malaysia Operation & Maintenance Services Company Limited	Kingdom of Saudi Arabia	**10.2**	–	31.12.2007	Operation and maintenance power and water desalination plant

42. COMPANIES IN THE GROUP (CONTINUED)

Inactive associates

	Name of company	Country of incorporation	Group's effective interest 2007 %	Group's effective interest 2006 %
*	Ajil Minerals Sdn Bhd	Malaysia	**49.0**	49.0
*	PKB-MMC Sdn Bhd (under creditors' liquidation)	Malaysia	**–**	49.0
*	Taldy Bulak Mining Corporation	Kyrgyz Republic	**40.0**	40.0
*	MMC Pipe and Fittings Sdn Bhd (under creditors' liquidation)	Malaysia	**–**	50.0
*	Associated Mines (Malaya) Sdn Bhd (in voluntary liquidation)	Malaysia	**–**	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	**29.7**	29.7
*	Golden Solitaire (Australia) B.V (under members' voluntary liquidation)	Netherlands	**59.5**	59.5
*	Red Sea Gateway Terminal Co. Limited	Kingdom of Saudi Arabia	**20.0**	–

Jointly controlled entities

	Name of company	Principal activities	Proportion of ownership interest 2007 %	Proportion of ownership interest 2006 %
*	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

42. COMPANIES IN THE GROUP (CONTINUED)

Jointly controlled entities (continued)

	Name of company	Principal activities	Proportion of ownership interest 2007 %	2006 %
*	Syarikat Mengurus Air Banjir dan Terowong Sdn Bhd	To undertake the Stormwater Management and Road Tunnel project	**50.0**	50.0
*	Whale Shark Maritime Sdn Bhd	Transportation of open market cargoes	**20.0**	20.0
	MMC Gamuda Joint Venture Sdn Bhd	Undertakes Double Tracking Project	**50.0**	100.0

The keys to the symbols used are as follows:

* *Audited by firms other than PricewaterhouseCoopers, Malaysia*

++ *Quoted companies*

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 30 April 2007, Malakoff Corporation Berhad (formerly known as Nucleus Avenue (M) Berhad), a 51.0% owned subsidiary, completed the acquisition of the entire assets and undertakings (other than cash) held by Malakoff Berhad and assumed all its disclosed liabilities for a total cash consideration of RM9,308 million.

(b) During the financial year, Anglo-Oriental (Annuities) Sdn Bhd, a wholly-owned subsidiary, disposed off 11,582,000 ordinary shares of RM0.50 each in Sime Darby Berhad for a total cash consideration of RM110 million resulting in a gain on disposal of RM86 million.

44. SIGNIFICANT POST BALANCE SHEET EVENT

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

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.

45. FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2007, the settlement dates on open forward contracts are 3 months (2006: 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 2007			
Trade receivables:			
– USD420,120	USD	1,397	1 USD=RM3.3241
Future sales/cost of sales over the following 6 months:			
– USD985,824	USD	3,319	1 USD=RM3.3668
At 31 December 2006			
Trade receivables:			
– USD590,321	USD	2,121	1 USD=RM3.5927
Future cost of sales over the following 6 months:			
– EURO2,013,498	EURO	7,152	1 EURO=RM3.5696

The net unrecognised gain on open contracts which hedge anticipated future foreign currency sales amounted to RM55,690 (2006: Unrecognised loss of RM35,606). The net exchange gain is deferred until the related sales are transacted, at which time it is included in the measurement of such transactions.

The fair value of outstanding forward contracts of the Group at the balance sheet date was at a favourable net position of RM36,692 (2006: RM22,655).

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 2008.

Shareholding Statistics

as at 31 March 2008

Class of securities	:	Ordinary Shares of RM0.10 each
Authorised Share Capital	:	RM1,000,000,000.00
Issued paid-up Capital	:	RM304,505,855.20
Voting rights	:	1 vote for every Ordinary Share
No. of shareholders	:	7,508

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct	%	Indirect	%
Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	502,597,700	16.51	–	–
Permodalan Nasional Berhad	165,179,800	5.42	–	–
Seaport Terminal (Johore) Sdn Bhd	1,576,108,840	51.76		
Indra Cita Sdn Bhd	–	–	1,576,108,840*	51.76
Tan Sri Dato' Syed Mokhtar Shah bin Syed Nor	–	–	1,576,108,840@	51.76

Notes:

* deemed interested through Seaport

@ deemed interested through Indra Cita

ANALYSIS BY SIZE OF SHAREHOLDING

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	190	2.53	6,373	0.00
100 - 1,000	769	10.25	559,390	0.02
1,001 - 10,000	4,640	61.80	20,378,946	0.67
10,001 – 100,000	1,483	19.75	42,270,856	1.38
100,001 to less than 5% of issued shares	419	5.58	827,216,647	27.17
5% and above of issued shares	7	0.09	2,154,626,340	70.76
Total	**7,508**	**100.00**	**3,045,058,552**	**100.00**

DIRECTORS' INTEREST AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Director	No. of shares held	% of issued capital
1	Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob	20,000	#(1)

Note:

(1) Negligible

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	(%)
1.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seaport Terminal (Johore) Sdn Bhd (26940 JTRK)	524,000,000	17.21
2.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	502,597,700	16.51
3.	Seaport Terminal (Johore) Sdn Bhd	303,848,840	9.98
4.	Mayban Nominees (Tempatan) Sdn Bhd Aseambankers Malaysia Berhad for Seaport Terminal (Johore) Sdn Bhd (270807)	286,000,000	9.39
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad BNP Paribas Labuan Branch for Seaport Terminal (Johore) Sdn Bhd	213,000,000	6.99
6.	Permodalan Nasional Berhad	165,179,800	5.42
7.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seaport Terminal (Johore) Sdn Bhd (PBL)	160,000,000	5.25
8.	Employees Provident Fund	130,567,200	4.29
9.	AMMB Nominees (Tempatan) Sdn Bhd Exempt an for AmInternational (L) Ltd (AMIL CITA)	59,260,000	1.95
10.	Valuecap Sdn Bhd	39,023,400	1.28
11.	Mayban Nominees (Asing) Sdn Bhd The Straits Trading Company Limited (N14011200404)	30,801,894	1.01
12.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seaport Terminal (Johore) Sdn Bhd (41401160330E)	30,000,000	0.99
13.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Wawasan 2020	23,855,700	0.78
14.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)	18,545,000	0.61
15.	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Mellon Bank (Mellon)	13,401,700	0.44
16.	HSBC Nominees (Asing) Sdn Bhd BBH (Lux) SCA for Fidelity Funds Asean	13,379,200	0.44
17.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Malaysia	13,057,000	0.43
18.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Dividend Fund	11,551,600	0.38
19.	Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Didik	11,025,800	0.36
20.	HSBC Nominees (Asing) Sdn Bhd BBH (Lux) SCA for Fidelity Funds Malaysia	10,250,300	0.34

No.	Name	No. of Shares Held	(%)
21.	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	9,364,600	0.31
22.	Cartaban Nominees (Asing) Sdn Bhd Exempt an for CACEIS Bank Luxembourg (CLT ACCT-LUX)	8,845,700	0.29
23.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Growth Fund	8,731,200	0.29
24.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (U.S.A)	8,647,954	0.28
25.	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Netherlands)	8,647,000	0.28
26.	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSGP for Sunnyvale Holdings Limited	8,253,900	0.28
27.	Cartaban Nominees (Asing) Sdn Bhd Investors Bank and Trust company for Ishares, inc.	8,064,000	0.26
28.	Kumpulan Wang Persaraan (Diperbadankan)	7,948,600	0.26
29.	SBB Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	7,700,000	0.25
30.	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL PAR)	7,286,700	0.24
	Total	**2,643,104,788**	**86.80**

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	–	19,214	6	1994
Lot Nos. 3041 & 3042, Semenyih, District of Hulu Langat, Selangor Darul Ehsan	Leasehold	11.33	Refuse derived fuel plant	2034	32,538	2	2006
Mukim Ulu Sepetang Taiping Perak Darul Ridzuan	Leasehold	735	Oil Palm Plantation	–	21,516	30	1994
PTD No. 2423, Tanjung Kupang District of Johor Bahru Johor Darul Takzim	Leasehold	349.04	Port terminal, office buildings, commercial & industrial land	2055		8	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	2055	1,674,543	–	2000
PTD No. 1586, Serkat, District of Pontian Johor Darul Takzim	Leasehold	114.92	Land for port terminal & buildings	2055		–	2001
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	13.44	Container berths 1 & 2	2052	119,927	15	1992
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	–	Dangerous cargo jetty	2052	31,568	15	1992
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	112.10	Berths 7-11	2052	179,846	10	1997
Plentong District of Johor Bahru Johor Darul Takzim	Leasehold	–	Dangerous cargo jetty 4	2052	36,874	8	1999
PTD Nos. 1836-1838, 1851 & 1357, Serkat / Sg. Karang District of Pontian Johor Darul Takzim	Leasehold	912.78	Industrial/vacant	2103	529,091	2	2005

NOTICE IS HEREBY GIVEN THAT the Thirty-Second 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 Wednesday, 21 May 2008 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 2007 and the Auditors' Report thereon be and are hereby received."

2. "THAT the final dividend of 5.0 sen comprising 1.0 sen per share less tax at 26%, 2.5 sen per share tax exempt and 1.5 sen per share single-tier tax exempt dividend for the year ended 31 December 2007 be and is hereby approved and declared payable on 13 June 2008 to the members of the Company registered at the close of business on 28 May 2008."

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) Datuk Mohd Sidik Shaik Osman
   b) Encik Halim Haji Din."

4. "THAT the following directors, who were appointed since the last AGM, and retire pursuant to Article 85 of the Company's Articles of Association, be and are hereby re-elected Directors of the Company:
   a) Encik Ahmad Jauhari bin Yahya
   b) Encik Hasni Harun."

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 Directors be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS

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

Ordinary Resolution
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 approval of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the listing of and quotation for the additional shares and other relevant approvals, as may be necessary."

Special Resolution
Proposed Amendments to the Articles of Association of the Company

7. "THAT the Proposed Amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 29 April 2008 be and are hereby approved.

   AND THAT the Directors of the Company be and are hereby authorized to assent to any conditions, modifications, and/or amendments as may be required by Bursa Malaysia and to carry out all the necessary formalities in effecting the Proposed Amendments as set out in Appendix II of the Circular to Shareholders dated 29 April 2008."

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 28 May 2008 shall be entitled to the final dividend which will be paid on 13 June 2008.

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 28 May 2008 in respect of ordinary transfers, and

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

BY ORDER OF THE BOARD
Azlan bin Shahrim
Sazlin Ayesha binti Abdul Samat
Secretaries

Kuala Lumpur
29 April 2008

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
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.

Special Resolution
Proposed Amendments to the Articles of Association of the Company
The Proposed Amendments are to align the Company's Articles of Association with the amendments to Bursa Malaysia's Listing Requirements, and to ensure clarity and consistency throughout the Articles of Association.

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 85 of the Company's Articles of Association:

Name	Encik Ahmad Jauhari bin Yahya
Age	53
Nationality	Malaysian
Position on the Board	Non-Independent Non-Executive Director
Date first appointed to the Board	23 May 2007
Membership of Board Committee	NIL
Working experience	As enumerated in the Profile of Directors on page 30 of this Annual Report
Occupation	Managing Director/Chief Executive Officer, Malakoff Corporation Berhad
Any other directorships in public company	Malakoff Corporation Berhad, Malakoff Berhad and Port Dickson Power Berhad
Securities holdings in the Company	NIL
Any family relationship with Directors and/ or major shareholders of the Company	NIL

Name	Encik Hasni Harun
Age	50
Nationality	Malaysian
Position on the Board	Executive Director
Date first appointed to the Board	1 March 2008
Membership of Board Committee	Executive Committee
Working experience	As enumerated in the Profile of Directors on page 29 of this Annual Report
Occupation	Chief Executive Officer Malaysia, MMC Corporation Berhad
Any other directorships in public company	EON Capital Berhad, EON Bank Berhad, EONCAP Islamic Bank Berhad, MIMB Investment Bank Berhad, Malakoff Corporation Berhad and MMC Engineering Group Berhad Alternate Director: IJM Corporation Berhad, Zelan Berhad and Johor Port 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 Wednesday, 21 May 2008 and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting:

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

No.	Resolution	For	Against
	Ordinary Business		
1	Directors' Report and Financial Statements		
2	Declaration of Dividend		
3	Re-election of Directors pursuant to Article 78: (a) Datuk Mohd Sidik Shaik Osman (b) Encik Halim Haji Din		
4	Re-election of Directors pursuant to Article 85: (a) Encik Ahmad Jauhari bin Yahya (b) Encik Hasni Harun		
5	Re-appointment of Auditors		
	Special Business **Ordinary Resolution**		
6	Authority to Allot Shares		
	Special Resolution		
7	Proposed Amendments to the Articles of Association of the Company		

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 govering 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 vote of the senior member who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determind by the order in which the names stand in the register.

5 Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he/she thinks fit.

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affix stamp

To

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

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Corporate Information

COMPANY SECRETARIES

Azlan bin Shahrim
Sazlin Ayesha binti 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

FINANCIAL CALENDAR

2008 Annual General Meeting	21 May 2008
Entitlement to 2007 final dividend	28 May 2008
Payment of 2007 final dividend	13 June 2008

Financial year ending 31 December 2008

Announcement of results:

- First quarter	22 May 2008
- Second quarter	27 August 2008
- Third quarter	26 November 2008
- Fourth quarter	26 February 2009

MMC on the Internet

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.

www.mmc.com.my

MMC Corporation Berhad 30245-H

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

www.mmc.com.my