

Condensed Consolidated Income Statements
Quarterly report on Audited consolidated results
for the year ended 31 December 2008

| | <u>3 months</u> <u>quarter ended</u> <u>31.12.08</u> RM'000 (Unaudited) | <u>3 months</u> <u>quarter ended</u> <u>31.12.07</u> RM'000 (Unaudited) | <u>Cumulative</u> <u>12 months ended</u> <u>31.12.08</u> RM'000 (Audited) | <u>Cumulative</u> <u>12 months ended</u> <u>31.12.07</u> RM'000 (Audited) |
|--|---|---|---|---|
| Revenue | 2,438,473 | 1,845,890 | 8,545,033 | 5,722,033 |
| Cost of sales | <u>(1,788,633)</u> | <u>(1,134,548)</u> | <u>(5,669,533)</u> | <u>(3,542,714)</u> |
| Gross profit | 649,840 | 711,342 | 2,875,500 | 2,179,319 |
| Other Operating Income | | | | |
| Items relating to investments | 69,562 | 15,435 | 108,329 | 100,988 |
| Others | 49,409 | 67,658 | 194,061 | 185,031 |
| Distribution costs | (107) | (856) | (630) | (2,748) |
| Administrative expenses | (135,793) | (88,095) | (581,013) | (524,987) |
| Operating expenses | (227,163) | (12,140) | (415,552) | (41,262) |
| Finance cost | (345,487) | (353,709) | (1,380,529) | (969,182) |
| Share of results of associated companies and jointly controlled entities | <u>57,524</u> | <u>10,532</u> | <u>215,333</u> | <u>90,883</u> |
| Profit before taxation | 117,785 | 350,167 | 1,015,499 | 1,018,042 |
| Taxation | <u>80,713</u> | <u>(60,503)</u> | <u>(124,003)</u> | <u>(156,999)</u> |
| Net profit for the period | <u>198,498</u> | <u>289,664</u> | <u>891,496</u> | <u>861,043</u> |
| Attributable to: | | | | |
| Equity shareholders | 128,228 | 187,273 | 527,319 | 551,522 |
| Minority interest | 70,270 | 102,391 | 364,177 | 309,521 |
| | <u>198,498</u> | <u>289,664</u> | <u>891,496</u> | <u>861,043</u> |
| Basic earnings per ordinary share (sen) | 4.2 | 6.2 | 17.3 | 18.1 |
| Diluted earnings per ordinary share (sen) | 4.2 | 6.2 | 17.3 | 18.1 |

The Condensed Audited Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007.

**Condensed Consolidated Balance Sheet
As at 31 December 2008**

| | As at 31.12.08 RM' 000 (Audited) | As at 31.12.07 RM' 000 (Restated) |
|---|---|--|
| Non current assets | | |
| Property, plant and equipment | 16,010,857 | 15,347,573 |
| Investment properties | 32,492 | 32,429 |
| Prepaid lease payments | 650,759 | 661,203 |
| Investment in associated companies | 1,950,041 | 1,966,977 |
| Investment in jointly controlled entities | 314,498 | 153,252 |
| Property development expenditure | 40,648 | - |
| Other assets | 8,244 | 9,752 |
| Intangible assets | 8,394,669 | 8,762,035 |
| Deferred tax assets | 417,315 | 269,171 |
| | <u>27,819,523</u> | <u>27,202,392</u> |
| Current assets | | |
| Inventories | 674,426 | 528,296 |
| Non-current assets held for sale | - | 192 |
| Trade and other receivables | 2,237,226 | 1,717,603 |
| Tax recoverable | 140,783 | 119,402 |
| Amount due from holding company | 13,780 | 15,780 |
| Marketable securities | 61,237 | 61,206 |
| Deposits, bank and cash balances | 3,787,309 | 3,310,774 |
| | <u>6,914,761</u> | <u>5,753,253</u> |
| Current liabilities | | |
| Borrowings | 2,278,454 | 1,718,843 |
| Trade and other payables | 1,912,678 | 1,197,126 |
| Taxation | 37,198 | 26,830 |
| | <u>4,228,330</u> | <u>2,942,799</u> |
| Net current assets | <u>2,686,431</u> | <u>2,810,454</u> |
| | <u>30,505,954</u> | <u>30,012,846</u> |
| Financed by: | | |
| Capital and reserves | | |
| Share capital | 304,506 | 152,253 |
| Reserves | 5,809,523 | 5,705,713 |
| | <u>6,114,029</u> | <u>5,857,966</u> |
| Minority interests | 3,245,997 | 2,905,543 |
| Total equity | <u>9,360,026</u> | <u>8,763,509</u> |
| Non current liabilities | | |
| Redeemable Preference Shares | 114,051 | 114,051 |
| Redeemable convertible subordinated loans | 158,355 | 158,355 |
| Redeemable convertible unsecured loan stocks | 38,674 | - |
| Borrowings | 17,496,217 | 17,584,639 |
| Landlease received in advance | 198,204 | 198,649 |
| Provision for retirement benefits | 44,327 | 41,889 |
| Deferred income | - | 47,808 |
| Deferred tax liabilities | 3,096,100 | 3,103,946 |
| | <u>30,505,954</u> | <u>30,012,846</u> |
| Net assets per share attributable to ordinary equity holders of parent (sen) | 201 | 192 |

The Condensed Audited Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007.

**Condensed Audited Consolidated Statement of Changes in Equity
for the year ended 31 December 2008**

| | Attributable to equity holders of the parent | | | | | | Minority Interest | Total | | |
|---|--|----------------------------|--|----------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------|-----------|-----------|
| | Non-distributable | | | Distributable | | | | | | |
| | 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 | RM'000 | RM'000 |
| At 1 January 2008 | 152,253 | 2,039,770 | - | 1,219,271 | 308,197 | 350,107 | 1,790,916 | 5,860,514 | 2,807,088 | 8,667,602 |
| Effects of adopting FRS112 | - | - | - | - | - | 72,293 | (74,841) | (2,548) | 98,455 | 95,907 |
| As restated | 152,253 | 2,039,770 | - | 1,219,271 | 308,197 | 422,400 | 1,716,075 | 5,857,966 | 2,905,543 | 8,763,509 |
| Acquisition through business combinations | - | - | - | - | - | - | - | - | 112,159 | 112,159 |
| Disposal of subsidiary | - | - | - | - | (881) | - | - | (881) | (6,721) | (7,602) |
| Share of movement in associates's reserves | - | - | - | - | (126,178) | - | - | (126,178) | - | (126,178) |
| Currency translation differences | - | - | 139 | - | - | - | - | 139 | 544 | 683 |
| Net income recognised directly in equity | - | - | 139 | - | (127,059) | - | - | (126,920) | 105,982 | (20,938) |
| Net profit for the financial year | - | - | - | - | - | - | 527,319 | 527,319 | 364,177 | 891,496 |
| Transfer to capital reserve | - | - | - | - | - | 383 | (383) | - | - | - |
| Issuance of bonus shares | 152,253 | - | - | - | (152,253) | - | - | - | - | - |
| Dividend for the financial year 2007 | - | - | - | - | - | - | (144,336) | (144,336) | - | (144,336) |
| Dividend paid to minority shareholders | - | - | - | - | - | - | - | - | (129,705) | (129,705) |
| At 31 December 2008 | 304,506 | 2,039,770 | 139 | 1,219,271 | 28,885 | 422,783 | 2,098,675 | 6,114,029 | 3,245,997 | 9,360,026 |
| 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 |
| Effects of adopting FRS112 | - | - | - | - | - | 72,293 | (74,841) | (2,548) | 98,455 | 95,907 |
| As restated | 152,253 | 2,039,770 | (55,765) | 28,120 | 216,463 | 422,400 | 1,339,894 | 4,143,135 | 543,185 | 4,686,320 |
| Acquisition of subsidiary | - | - | - | 1,191,151 | - | - | - | 1,191,151 | 2,152,777 | 3,343,928 |
| Share of movement in associates's reserves | - | - | - | - | 91,734 | - | - | 91,734 | - | 91,734 |
| Decrease in equity interest in existing subsidiary | - | - | - | - | - | - | - | - | 6,566 | 6,566 |
| Net income recognised directly in equity | - | - | - | 1,191,151 | 91,734 | - | - | 1,282,885 | 2,159,343 | 3,442,228 |
| Net profit for the period | - | - | - | - | - | - | 551,522 | 551,522 | 309,521 | 861,043 |
| Realisation of disposal of foreign subsidiaries in | - | - | (15,435) | - | - | - | - | (15,435) | - | (15,435) |
| Realisation of disposal of foreign subsidiaries in previous years | - | - | 71,200 | - | - | - | (71,200) | - | - | - |
| Dividend paid for financial year ended 2006 | - | - | - | - | - | - | (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 | 422,400 | 1,716,075 | 5,857,966 | 2,905,543 | 8,763,509 |

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

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

**Condensed Audited Consolidated Cash Flow Statement
For the year ended 31 December 2008**

| | 12 months ended 31.12.08 RM'000 (Audited) | 12 months ended 31.12.07 RM'000 (Audited) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before taxation | 1,015,499 | 1,018,042 |
| Adjustments for: | | |
| Non-cash items | 1,261,120 | 772,290 |
| Interest expense | 1,380,529 | 969,182 |
| Interest income | (143,612) | (147,085) |
| Dividend income | (17,787) | (9,712) |
| Share of results in associates and jointly controlled entities | (215,333) | (90,883) |
| Operating profit before working capital changes | 3,280,416 | 2,511,834 |
| Changes in working capital: | | |
| Net change in current assets | (614,527) | (162,994) |
| Net change in current liabilities | 535,247 | (572,777) |
| Cash generated from operations | 3,201,136 | 1,776,063 |
| Tax paid | (295,192) | (185,773) |
| Mining exploration expenditure | (2) | (29) |
| Land lease received in advance | 21,964 | 38,824 |
| Retirement benefits paid | (4,381) | (1,951) |
| One off payment in lieu of windfall profit levy | (37,804) | - |
| Net cash generated from operating activities | 2,885,721 | 1,627,134 |
| Cash flows from investing activities | | |
| Net cash outflow from acquisition of associates | (6,252) | - |
| Net cash outflow from acquisition of subsidiary | (80,932) | (5,116,894) |
| Redemption of preference shares in subsidiary | - | 3,000 |
| Dividend received | 74,248 | 92,499 |
| Interest received | 143,612 | 147,085 |
| Research and development expenses paid | - | (583) |
| Proceeds from sale of quoted investment | - | 111,817 |
| Subscription of shares in an associate company | - | (79,303) |
| Additional investment in a jointly controlled entity | (5,000) | (11,500) |
| Proceeds from sale of property, plant and equipment | 2,223 | 1,879 |
| Purchase of property, plant and equipment | (1,602,942) | (280,126) |
| Purchase of investment properties | (111) | - |
| Additional property development expenditure | (37,381) | - |
| Prepayment of lease | (18) | (152) |
| Net cash inflow from disposals of subsidiaries | 97,217 | - |
| Redemption of RCULS in a subsidiary | 15,200 | - |
| Net cash used in investing activities | (1,400,136) | (5,132,278) |
| Cash flows from financing activities | | |
| Dividend paid | (144,336) | (104,141) |
| Dividend paid to minority shareholder | (129,705) | (106,506) |
| Interest paid | (1,380,529) | (1,201,569) |
| Drawdown of term loans | 1,684,033 | 8,166,582 |
| Repayment of term loans | (1,038,388) | (2,620,151) |
| Proceeds from issuance of preference shares by a subsidiary | - | 20,005 |
| Cash inflow on the issuance of share from subsidiaries | - | 1,977,526 |
| Net cash (used in)/generated from financing activities | (1,008,925) | 6,131,746 |
| Net increase in cash and cash equivalents | 476,660 | 2,626,602 |
| Effects of changes in exchange rate | 683 | - |
| Cash & Cash Equivalents at beginning of financial year | 3,277,682 | 651,080 |
| Cash and cash equivalents at end of financial period | 3,755,025 | 3,277,682 |
| Cash and cash equivalents comprise: | | |
| Deposits and bank balances | 3,787,309 | 3,310,774 |
| Designated accounts | (12,442) | (12,442) |
| Pledge deposits | (17,906) | (16,802) |
| Bank overdrafts | (1,936) | (3,848) |
| | 3,755,025 | 3,277,682 |

The Condensed Audited Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007.

Notes to the interim financial statements

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

2. Changes in Accounting Policies

The significant accounting policies and method of computation adopted by the Group are consistent with those adopted in the financial statements for the financial year ended 31 December 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") which are applicable to the financial statements for annual periods beginning on or after 1 January 2008 as follows:

| | |
|---------|--|
| 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 121 Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The adoptions of the above FRSs do not have significant financial impact to the Group except for the adoption of FRS 112 as discussed below:

FRS 112 Income Taxes

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

The effect to the Group's comparative figures as at 31 December 2007 on adoption of the above FRS is as follows:-

| Balance sheet As at 31 December 2007 | <u>As previously stated</u> RM mil | <u>Effects on adoption</u> RM mil | <u>Reclass</u> RM mil | <u>As restated</u> RM mil |
|---|---|--|--------------------------|----------------------------------|
| Deferred tax assets | 16 | 293 | (39) | 270 |
| Intangibles | 8,959 | (197) | - | 8,762 |
| Retained earnings | 1,791 | (75) | - | 1,716 |
| Capital reserves | 350 | 72 | - | 422 |
| Minority interest | 2,807 | 99 | - | 2,906 |
| Deferred tax liability | 3,143 | - | (39) | 3,104 |

3. Audit qualification

The report of the auditors on the Group's financial statements for the year ended 31 December 2007 was not subject to any qualification.

4. Seasonal or cyclical factors

The Group's operations have not been affected by seasonal or cyclical factors.

5. Unusual items

The Government of Malaysia ("GOM") has recently announced the enforcement of the Windfall Profit Levy (Electricity) Order 2008 ("WPL"), effective 1 July 2008. The WPL will affect all Independent Power Producers ("IPP") including one of MMC's subsidiaries, Malakoff Corporation Berhad ("Malakoff"). The GOM further announced on 24 July 2008 that any IPP which is able to renegotiate its Power Purchase Agreement ("PPA") will be exempted from the WPL.

However, on 11 September 2008 the GOM announced the discontinuation of WPL with immediate effect and instead, the IPPs would have to make a one off-payment. As a result, the Group has made full provision for the windfall profit levy amounted to RM212.0 million in the income statement for the year ended 31 December 2008.

6. Changes in estimates

There was no material change in financial estimates reported in prior interim periods that could materially affect the current interim period's financial statements.

7. Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter ended 31 December 2008.

8. Dividend paid

In respect of the financial year ended 31 December 2007, as reported in Directors' report during that financial year, 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 ordinary shares amounting to RM144,335,775.36, was paid on 13 June 2008.

9. Segment Reporting

The Group's segmental report for the twelve-month financial period ended 31 December 2008 is as follows:

| | <u>Transport & Logistics</u> RM mil | <u>Energy & Utilities</u> RM mil | <u>Engineering & Construction</u> RM mil | <u>Others</u> RM mil | <u>Total</u> RM mil |
|---|--|---|---|-------------------------|------------------------|
| <u>Revenue</u> | | | | | |
| Total | 1,197 | 7,247 | 176 | 60 | 8,680 |
| Inter-segment | - | 1 | (136) | - | (135) |
| External | 1,197 | 7,248 | 40 | 60 | 8,545 |
| <u>Results</u> | | | | | |
| Segment Profit /(Loss) | 342 | 1,620 | 5 | (38) | 1,929 |
| Items relating to investments | | | | | 108 |
| Interest income | | | | | 144 |
| Finance cost | | | | | (1,380) |
| Share of results of associates and joint ventures | - | 29 | 189 | (4) | 214 |
| Profit before Taxation | | | | | 1,015 |
| Taxation | | | | | (124) |
| Profit after Taxation | | | | | 891 |

The Group's segmental report for the corresponding twelve-month financial period ended 31 December 2007 is as follows:

| | <u>Transport & Logistics</u> RM mil | <u>Energy & Utilities</u> RM mil | <u>Engineering & Construction</u> RM mil | <u>Others</u> RM mil | <u>Total</u> RM mil |
|---|--|---|---|-------------------------|------------------------|
| <u>Revenue</u> | | | | | |
| Total | 1,208 | 4,298 | 204 | 38 | 5,749 |
| Inter-segment | - | - | (27) | - | (27) |
| External | 1,208 | 4,298 | 177 | 38 | 5,722 |
| <u>Results</u> | | | | | |
| Segment Profit | 418 | 1,228 | 2 | - | 1,648 |
| Items relating to investments | | | | | 101 |
| Interest income | | | | | 147 |
| Finance cost | | | | | (969) |
| Share of results of associates and joint ventures | - | 46 | 46 | (1) | 91 |
| Profit before Taxation | | | | | 1,018 |
| Taxation | | | | | (157) |
| Profit after Taxation | | | | | 861 |

10. Property, plant and equipment

Certain group properties were re-valued in the past. This revaluation was brought forward without any subsequent revaluation as allowed for under FRS 116.

11. Events subsequent to the balance sheet date

There was no material event subsequent to the end of the current quarter, other than as disclosed in note 13 (b) and (c).

12. Changes in composition of the Group

There was no change in the composition of the Group during the current quarter except for the following:

- a) On 3 November 2008, the Company completed the acquisition of 165,253,604 ordinary shares of RM1.00 each and 1,050,589 Redeemable Convertible Unsecured Loan Stock of RM1.00 each in Aliran Ihsan Resources Berhad representing approximately 74.36% and 2.45% equity interest respectively for a total cash consideration of RM150.8 million satisfied entirely by cash.

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

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

| | Fair value (upon acquisition) RM'000 |
|-------------------------------|--|
| Property, plant and equipment | 7,775 |
| Investment property | 871 |
| Investment in associates | 202,678 |
| Deferred taxation | 4,003 |
| Inventories | 901 |
| Trade and other receivables | 87,582 |
| Other current assets | 2,985 |
| Cash and cash equivalents | 69,842 |

| | |
|---|----------|
| Trade and other payables | (30,153) |
| Other current liabilities | (3,883) |
| Borrowings | (281) |
| Deferred taxation | (916) |
| Other non-current liabilities | (38,548) |
| | <hr/> |
| Fair value of net assets acquired | 302,856 |
| Excess of Group's interest in the fair values of identifiable net assets acquired over the cost of business | (72,184) |
| Minority interest | (79,898) |
| | <hr/> |
| Net consideration | 150,774 |
| Less: Cash and cash equivalents of subsidiary acquired | (69,842) |
| | <hr/> |
| Cash outflow of the Group on acquisition through business combinations | 80,932 |
| | <hr/> |

As of the date of this report, management has yet to finalise the Purchase Price Allocation ("PPA") for the business combination, as required by FRS 3. The intangible assets and the excess of Group's interest in the fair value of identifiable net assets acquired over the cost of business arising from the business combination has been derived only on a provisional basis. Management has 12 months from the date of completion of the acquisition to complete the PPA and the initial accounting for the transaction. Upon finalisation of the PPA, MMC will recognise any adjustments to the provisional values of the intangible assets and excess of Group's interest in the fair value of identifiable net assets acquired over the cost of business arising from the business combination.

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

13. Changes in contingent liabilities or contingent assets

There was no change in contingent liabilities or contingent assets since the last annual balance sheet date as at 31 December 2007 as disclosed in the financial statements of the Group for the financial year ended 31 December 2007, except for the following:

- a) Bank guarantees issued to third parties:

| | 31.12.08 | 31.12.07 |
|--------------|--------------|--------------|
| | RM million | RM million |
| Company | - | 3.7 |
| Subsidiaries | 481.0 | 470.4 |
| | <u>481.0</u> | <u>474.1</u> |

Bank guarantees issued to customers and utilities suppliers were mainly performance bonds, security deposits and payment guarantees.

- b) On 25 June 2008, Segari Energy Ventures Sdn Bhd ("SEV"), a 93.75% owned subsidiary of Malakoff Corporation Berhad, the Company's 51% owned subsidiary, filed a statement of claim in arbitration proceedings against Tenaga Nasional Berhad ("TNB"), claiming a sum of RM43,692,188.47 in relation to

wrongful set-off of SEV's billing statements. On 25 July 2008, TNB filed its defence and counterclaim seeking, among others, in relation to the RM43,692,188.47 claimed by SEV, a declaration that the said amounts were lawfully deducted, or alternatively, payment of the said amounts to TNB; and in respect of the metering inaccuracies, payment of all the amounts of energy payments allegedly received by SEV in excess of the sum due to SEV, which is to be determined by the arbitral tribunal. The Company is of the view, in consultation with solicitors, that there is a favourable chance of success in the arbitration proceedings.

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

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

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

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

- (e) On 12 December 2006, the Group's wholly-owned subsidiary SWC, has initiated legal proceedings against Syarikat Air Johor Sdn. Bhd. (SAJ) for breach of contractual payment of the outstanding trade receivables amounting to RM75,037,785.06 million as at 7 December 2006, together with interest and costs, pursuant to the Concession Agreement dated 31 May 1994 entered into between SAJ and SWC.

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

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

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

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

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

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

14. Capital commitments

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

| | |
|-----------------------------------|------------|
| | 31.12.08 |
| | RM million |
| Property, plant and equipment: | |
| Authorised but not contracted for | 86 |
| Authorised and contracted for | 568 |
| | <hr/> |
| | 654 |
| | <hr/> |

Additional information required by the Bursa Securities Listing Requirements

15. Review of performance

The Group's profit before tax for the twelve-month financial period ended 31 December 2008 of RM1,015.5 million was lower by RM2.5 million compared to the corresponding financial period ended 31 December 2007.

The Group's performance was affected by a lower contribution from the energy and utilities division as a result of the full provision for windfall profit levy and the impairment loss on investment in an associate made in the financial year ended 31 December 2008.

Without these exceptional items, the financial results for the financial year ended 31 December 2008 would have been better than those achieved in the last financial year ended 31 December 2007.

16. Variation of results against preceding quarter

The Group recorded a profit before tax of RM117.8 million for the current quarter compared to RM252.0 million in the preceding quarter. This is due to a lower contribution from the energy and utilities division as a result of the provision for windfall profit levy, the impairment loss on investment in an associate and provision for claims made by Tenaga Nasional Berhad due to inaccuracies of metering device amounted to RM141.9 million, RM50.6 million and RM13.7 million respectively, made in the current quarter.

17. Current prospects

Notwithstanding the current adverse economic scenario, the Board expects the Group's financial results for the current financial year ending 31 December 2009 to be satisfactory compared to those achieved in the last financial year ended 31 December 2008.

18. Profit forecast or profit guarantee

The Group did not issue any profit forecast or profit guarantee during the reporting period in a public document.

19. Tax expense

| | 3 months quarter ended 31.12.08 RM mil | 3 months quarter ended 31.12.07 RM mil | Cumulative 12 months ended 31.12.08 RM mil | Cumulative 12 months ended 31.12.07 RM mil |
|----------------------|--|--|--|--|
| Current tax expense | | | | |
| - current | (12) | (117) | (249) | (180) |
| - prior year | 30 | - | 32 | (1) |
| Deferred tax expense | | | | |
| - current | 115 | 70 | 146 | 24 |
| - prior year | (52) | (14) | (53) | - |
| | <u>81</u> | <u>(61)</u> | <u>(124)</u> | <u>(157)</u> |

The Group's effective tax rate for the current financial year is lower than the statutory income tax rate in Malaysia, mainly due to utilisation of Investment Tax Allowance in certain subsidiaries and capital gains from the liquidation of a subsidiary not subject to tax.

20. Unquoted investments and landed properties

There was no sale of unquoted investments and landed properties during the current quarter.

21. Quoted investments

There was no acquisition or disposal of quoted securities during the current quarter.

Investments in quoted shares as at 31 December 2008:

| | At Cost RM mil | At Book Value RM mil | At Market Value RM mil |
|--------------------------|-------------------|----------------------------|------------------------------|
| Quoted in Malaysia | 61 | 61 | 189 |
| Quoted outside Malaysia | 13 | - | 6 |
| Total quoted investments | 74 | 61 | 195 |

22. Status of corporate proposals announced

The Company had on 4 August 2008 announced the following:

- (i) the proposed acquisition of the entire issued and paid up share capital of Senai Airport Terminal Services Sdn Bhd ("SATS") for a total purchase consideration of RM1.95 billion to be satisfied via the allotment and issuance of 696,428,571 new ordinary shares of RM0.10 each in MMC ("MMC Shares") at an issue price of RM2.80 per new MMC Share ("Proposed SATS Acquisition"); and
- (ii) the proposed voluntary take-over offer to acquire all the ordinary shares of RM1.00 each in Aliran Ihsan Resources Berhad ("AIRB") ("AIRB Shares") and all the outstanding redeemable convertible unsecured loan stocks ("RCULS") in AIRB ("AIRB RCULS") for a cash consideration of RM0.90 per AIRB Share and AIRB RCULS ("Offer").

On 5 December 2008, the Company announced that it had entered into a supplemental agreement to revise and/or vary certain terms of the Proposed SATS Acquisition which includes amongst others, the following:

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

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

Status of the Proposed SATS Acquisition

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

Status of the ESB Offer

As the Offer had become unconditional on 20 October 2008, the Company had, on even date, served a notice of mandatory downstream conditional take-over offer ("Notice") to the Board of Directors of Equiventures Sdn Bhd ("ESB") to acquire all the remaining ordinary shares of RM1.00 each in ESB ("ESB Share(s)") not already owned by MMC and AIRB, being the person acting in concert with the Company, for a cash consideration of RM9.37 per ESB Share ("ESB Offer").

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

For further details on the Proposed SATS Acquisition and the ESB Offer, please refer to Bursa Securities' website for the relevant announcements.

23. Borrowings

| | <u>31.12.08</u> | <u>31.12.07</u> |
|---|-----------------|-----------------|
| | RM mil | RM mil |
| Current | | |
| - secured | 1,679 | 1,638 |
| - unsecured | <u>599</u> | <u>80</u> |
| | <u>2,278</u> | <u>1,718</u> |
| Non-current | | |
| - Long-term loans - secured | 3,873 | 3,064 |
| - BBA Islamic Debt Securities - secured | 610 | 902 |
| - Medium Term Notes - secured | 5,202 | 5,155 |
| - Sukuk Ijarah Bonds - secured | 672 | 760 |
| - Al Istina - secured | 5,252 | 5,807 |
| - Junior Sukuk - unsecured | 1,700 | 1,700 |
| - Redeemable Unsecured | | |
| Loan Stock - unsecured | <u>187</u> | <u>196</u> |
| | <u>17,496</u> | <u>17,584</u> |
| - Redeemable convertible | | |
| subordinated loans - unsecured | <u>158</u> | <u>158</u> |
| - Redeemable convertible | | |
| loans stock - unsecured | <u>39</u> | <u>-</u> |
| - Redeemable preference share | <u>114</u> | <u>114</u> |

24. Off-Balance Sheet financial instruments

The position of forward foreign exchange contracts of Tepat Teknik Sdn Bhd (a 70% owned subsidiary of MMC Engineering Group Berhad) as at 12 February 2009, is as follows:

| | <u>Contracted amount '000</u> | <u>RM'000 equivalent</u> |
|-----|-----------------------------------|------------------------------|
| USD | 2,401 | 8,469 |

The related accounting policies for the off-balance sheet financial instruments are as disclosed in the financial statements for the financial year ended 31 December 2007.

25. Changes in material litigation

Save as disclosed under notes 13(b) to 13(f), there were no significant changes in material litigation, including the status of pending material litigation in respect of the Company and its subsidiaries since the last audited balance sheet date as at 31 December 2007.

26. Dividend Payable

The Directors recommend the payment of a final single-tier dividend of 2.5 sen per share on the 3,045,058,552 ordinary shares, amounting to RM76,126,464 which subject to the approval of members at the forthcoming Annual General Meeting of the Company.

27. Earnings per ordinary share

Basic/Diluted Earnings Per Ordinary Share

| | 3 months quarter ended <u>31.12.08</u> | 3 months quarter ended <u>31.12.07</u> | Cumulative 12 months ended <u>31.12.08</u> | Cumulative 12 months ended <u>31.12.07</u> |
|--|---|---|---|---|
| Profit for the period attributable to shareholders of the Company (RM mil) | 128 | 187 | 527 | 552 |
| Weighted average number of ordinary shares in issue ('mil) | 3,045.1 | 3,045.1 | 3,045.1 | 3,045.1 |
| Basic earnings per ordinary share (sen) | 4.2 | 6.2 | 17.3 | 18.1 |
| Diluted earnings per ordinary share (sen) | 4.2 | 6.2 | 17.3 | 18.1 |

The Redeemable Convertible Subordinated Loans issued by a subsidiary company as disclosed in Note 23 do not have any dilutive effect on the Group's earnings per share.

28. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the Directors as of 25 February 2009.

By Order of the Board

Ahmad Aznan Mohd Nawawi (L.S. No.0009371)

Sazlin Ayesha Abdul Samat (L.S. No.0008112)

Secretaries

Kuala Lumpur

25 February 2009