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**MALAYSIAN RESOURCES CORPORATION BERHAD (7994-D)**  
(Incorporated in Malaysia)

**INFORMATION CIRCULAR TO SHAREHOLDERS**

**in relation to the**

**DISPOSAL OF 62,007,778 FULLY PAID ORDINARY SHARES OF RM1.00 EACH REPRESENTING APPROXIMATELY 22.7% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MALAKOFF BERHAD TO MALAYSIA MINING CORPORATION BERHAD FOR AN AGGREGATE CASH CONSIDERATION OF RM744,093,336 OR RM12.00 PER SHARE**

Advised by

**PERWIRA AFFIN MERCHANT BANK BERHAD (9999-V)**



This Circular is dated 27 February 2001

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## DEFINITIONS

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In this Circular, unless the context otherwise required, the following abbreviations shall have the following meanings :-

Board	:	Board of Directors
Disposal	:	Disposal of 62,007,778 fully paid ordinary shares of RM1.00 each representing approximately 22.7% of the issued and paid-up share capital of Malakoff to MMC for an aggregate cash consideration of RM744,093,336 or RM12.00 per share
Disposal Shares	:	62,007,778 fully paid ordinary shares of RM1.00 each representing approximately 22.7% of the issued and paid-up share capital of Malakoff
EPS	:	Earnings per share
ESOS	:	Employees' share option scheme
FIC	:	Foreign Investment Committee
KLSE	:	Kuala Lumpur Stock Exchange
Malakoff	:	Malakoff Berhad
MMC	:	Malaysia Mining Corporation Berhad
MRCB or Company	:	Malaysian Resources Corporation Berhad
MRCB Group	:	MRCB and its subsidiaries
MRE	:	MR Enterprise Sdn Bhd, a wholly-owned subsidiary of MRCB
NAA	:	Novation and Amendment Agreement between MRCB, RBSB and MMC dated 29 July 2000 whereby MRCB agrees to discharge RBSB's obligations under the SSA upon the terms of MMC's undertaking to perform the SSA and be bound by the terms of the SSA in place of RBSB and the amendments therein
NTA	:	Net tangible assets
PAMB	:	Perwira Affin Merchant Bank Berhad
RBSB	:	Restu Budi Sdn Bhd
RM and sen	:	Ringgit Malaysia and sen respectively
RPS	:	RM104.5 million redeemable preference shares of RM1.00 each issued by MRE as fully paid-up to TJSB
SSA	:	Share Sale Agreement between MRCB and RBSB dated 31 January 2000 whereby MRCB agreed to dispose 62,077,778 fully paid ordinary shares of RM1.00 each representing approximately 22.7% of the issued and paid-up capital of Malakoff to RBSB for a cash consideration of RM744,093,336 or RM12.00 per share
SC	:	Securities Commission
TJSB	:	Teknik Janakuasa Sdn Bhd, a wholly-owned subsidiary of Malakoff Berhad
USD	:	United States Dollar

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**MALAYSIAN RESOURCES CORPORATION BERHAD (7994-D)**  
**(Incorporated in Malaysia)**

**Registered office:**

Aras 10, Menara MRCB  
No 2, Jalan Majlis 14/10  
Seksyen 14  
40000 Shah Alam  
Selangor Darul Ehsan

27 February 2001

**Board of Directors :-**

Dato' Seri Abdul Rahman Maidin (Chairman)  
Datuk Zahari Omar  
Dato' Ahmad Haji Ibnihajar  
Dato' Zainol Abidin Dato' Haji Salleh  
Dr. Abdul Rahman Bidin  
Jamil Bidin  
Dr. Lim Ken Huat

**To :** The Shareholders of Malaysian Resources Corporation Berhad

Dear Sir/Madam

**DISPOSAL OF 62,007,778 FULLY PAID ORDINARY SHARES OF RM1.00 EACH REPRESENTING APPROXIMATELY 22.7% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MALAKOFF BERHAD TO MALAYSIA MINING CORPORATION BERHAD FOR AN AGGREGATE CASH CONSIDERATION OF RM744,093,336 OR RM12.00 PER SHARE**

**1. INTRODUCTION**

On 1 February 2000, PAMB announced on behalf of the Board of MRCB that the Company had on 31 January 2000 entered into a conditional SSA with RBSB for the proposed disposal of MRCB's approximately 22.7% equity interest in Malakoff to RBSB for a total cash consideration of RM744,093,336 or RM12.00 per share.

Subsequently, on 31 July 2000, PAMB announced on behalf of the Board that the Company had on 29 July 2000 entered into a conditional NAA with RBSB and MMC for the release of RBSB's obligations under the SSA upon MMC's undertaking to perform the SSA and for MMC to be bound by the terms of the SSA in place of RBSB.

The purpose of this Circular is to provide you with information on the Disposal. No action is required to be taken by shareholders.

## **2. DETAILS OF THE DISPOSAL**

### **2.1 Particulars**

On 31 January 2000, the Company had entered into a conditional SSA with RBSB to dispose of its entire equity interest in Malakoff comprising 62,007,778 ordinary shares of RM1.00 each for a total cash consideration of RM744,093,336 or RM12.00 per share.

Subsequently, on 29 July 2000, the Company had entered into a conditional NAA with RBSB and MMC wherein MMC had undertake to perform and be bound by the terms of the SSA in place of RBSB and RBSB was discharged and released from all obligations in respect of the SSA. Pursuant to the SSA as novated and amended by the NAA, the Company agreed to sell and MMC agreed to acquire the Disposal Shares for an aggregate cash consideration of RM774,093,336 or RM12.00 per share.

Further, in consideration of the Company agreeing to discharge and release RBSB from its obligations under the SSA, MRCB had on the same day entered into an Agreement (“RA”) with RBSB, wherein RBSB had irrevocably and unconditionally agree to pay MRCB for the costs and expenses incurred or to be incurred as a result of the extension of the completion of the SSA pursuant to the NAA. The extension period is the period between 31 August 2000 until 31 October 2000 (the date the Disposal was completed) whereby MRCB incurred interest payments, legal fees and other costs that MRCB would not have incurred had RBSB been able to perform its obligations under the SSA. As security for the reimbursement of the aforesaid extension costs, a Memorandum of Deposit was entered into between MRCB and RBSB on 29 July 2000 for RBSB to charge in favour of MRCB marketable securities acceptable to MRCB.

The salient terms and conditions of the aforementioned agreements are as disclosed below.

### **2.2 Salient terms and conditions of the SSA and NAA**

The salient terms and conditions of the SSA are as follows: -

- i) the sale consideration will be satisfied in the following manner:
  - a) a deposit of 10% (RM74,409,339.60) is payable to Messrs Zaid Ibrahim & Co., as the Stakeholder within one month from the date of the SSA; and
  - b) the balance of the sale consideration shall be payable by RBSB upon completion of the Disposal.
- ii) the Disposal Shares shall be disposed of free from all encumbrances and together with all rights and benefits attached thereto upon completion of the Disposal;
- iii) MRCB shall cause and procure MRE to redeem the RPS, subject to the approval of MRCB’s lenders; and

- iv) the sale, purchase and transfer of the Sale Shares as contemplated in the SSA are conditional upon the conditions precedent outlined in the SSA.

The legal effect of the NAA was to amend and novate the SSA. Hence, the salient terms and conditions of the NAA are as follows: -

- i) the discharge of all obligations of RBSB under the SSA upon MMC's undertaking to perform RBSB's obligations under the SSA and be bound by the terms of the SSA in place of RBSB;
- ii) the Disposal Shares shall be disposed by MRCB to MMC in the following manner:-
  - a. an initial disposal of 12,401,556 Disposal Shares representing approximately 4.5% of the issued and paid-up share capital of Malakoff ("First Tranche") for a cash consideration of RM148,818,667.20 or RM12.00 per share which is payable upon satisfaction of the conditions precedent thereto being obtained before 28 August 2000, or any other date to be mutually agreed between MRCB and MMC; and
  - b. the disposal of the remaining 49,606,222 Disposal Shares representing approximately 18.2% of the issued and paid-up share capital of Malakoff ("Second Tranche") for a cash consideration of RM595,274,668.80 or RM12.00 per share which is payable upon satisfaction of the conditions precedent to this portion of the Disposal being obtained on or before 17 October 2000, or any other date to be mutually agreed between MRCB and MMC;
- iii) the extension of the stop date (being the last date upon which the conditions precedent for the SSA has to be fulfilled failing which the SSA may be rescinded) from 31 July 2000 to 17 October 2000 or any other date as may be mutually agreed by MRCB and MMC;
- iv) RBSB to irrevocably and unconditionally reimburse MRCB for the cost and expenses to be incurred by MRCB for the extension of the stop date as detailed in iii) above; and
- v) the deposit of RM74,409,339.60 paid earlier by RBSB to MRCB under the SSA will be released to RBSB upon receipt of payment of RM148,818,667.20 from MMC for the First Tranche.

Pursuant to the NAA the other terms and conditions of the SSA remain.

The disposal of the First Tranche was completed on 28 August 2000. Accordingly the deposit of RM74,409,339.60 paid by RBSB earlier on 7 March 2000 was reimbursed by the Stakeholder to RBSB on 10 August 2000. The disposal of the Second Tranche was completed on 31 October 2000.

## **2.3 Salient Terms and Conditions of the RA**

The salient terms and conditions of the RA are as follows: -

- i) RBSB to irrevocably and unconditionally reimburse MRCB for the costs and expenses incurred by MRCB (“Extension Costs”) for the period between 1 August 2000 until the completion of the Disposal on 31 October 2000;
- ii) as security for reimbursement of the Extension Costs, RBSB shall charge and deposit marketable securities (acceptable to MRCB) into the securities account of MRCB; and
- iii) the Extension Costs shall be reimbursed by RBSB within ten Business Days of the date of the expiry of the extension period\*.

The marketable securities acceptable to MRCB must have an amount or market value of not less than 1.5 times of the Extension Cost or RM21 million whichever is the higher.

To date, the final amount of the Extension Costs to be reimbursed by RBSB to MRCB are still being negotiated by the two parties. Based on the closing market price as at 31 January 2001, the marketable securities (comprising 8,160,000 shares of Oriental Food Industries Berhad and 195,000 shares of Central Industrial Corporation Berhad) deposited into the securities account of MRCB has an aggregate value of approximately RM16.6 million.

\* *The extension period expired on the 10th business day from 17 October 2000) and the parties are still negotiating the payment of the Extension Cost.*

## **2.4 Basis of Arriving at Sale Consideration**

The total cash consideration of RM744,093,336 for the Disposal which is equivalent to RM12.00 per Malakoff share was arrived at on a willing-buyer willing-seller basis. The sale consideration represents a premium of approximately 26.3% and 22.5% to the last transacted price on 31 January 2000 of RM9.50 per share and 28 July 2000 of RM9.79 per share respectively.

The Disposal does not involve the assumption of any liabilities by MMC.

## **2.5 Information on Malakoff**

Malakoff was incorporated in Malaysia under the Companies Act, 1965 as a public limited company on 9 October 1975 under its present name and was listed on the KLSE on 12 February 1976.

Malakoff is principally involved in the generation and sales of electricity and other related business through its 75% owned subsidiary, Segari Energy Ventures Sdn Bhd which owns and operates the combined cycle gas turbine 1,303 megawatt Lumut Power Plant in Segari, Perak Darul Ridzuan. Malakoff, via its wholly-owned subsidiary, Hypergantic Sdn Bhd, also owns a 20% stake in Port Dickson Power Berhad which owns and operates a dual fuel 440 megawatt open cycle peaking power plant in Tanjong Gemok, Port Dickson.

The present authorised share capital of Malakoff is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each of which 278,241,334 ordinary shares have been issued and fully paid-up as at 30 January 2001.

Based on the audited accounts of Malakoff for the financial year ended 31 August 2000, Malakoff registered a profit after taxation and minority interest of RM344.179 million. Its audited NTA per share as at 31 August 2000 is RM5.82.

The original cost of MRCB's investment in Malakoff is RM336.0 million which was transacted between July 1993 and January 1994.

Further information on Malakoff is set out in Appendix I of this Circular.

## 2.6 Information on MMC

MMC was incorporated on 19 November 1976 under the Companies Act, 1965, as a private limited company and on 8 March 1977 converted into a public company. The principal activity of MMC is investment holding. The present authorised share capital of MMC is RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each, of which 836,139,210 ordinary shares have been issued and fully paid-up as at 31 January 2000.

The directors and substantial shareholders of MMC and their respective direct and indirect interests in MMC as at 31 January 2000 are as follows: -

	←-----Direct ----→		←--Indirect --→	
	No. of shares held	%	No. of shares held	%
<b>Directors</b>				
Dato' Syed Abdul Jabbar Bin Syed Hassan	-	-	-	-
Tan Sri Ibrahim Menudin	-	-	-	-
Datuk Ab. Sukor Bin Shahar	-	-	-	-
Abdul Samad Bin Haji Alias	-	-	-	-
Dato' Mohd Desa Bin Pachi	-	-	-	-
Tan Sri Dato' Thong Yaw Hong	-	-	-	-
Tan Sri Dato' Dr Abdul Khalid Bin Sahan	-	-	-	-
Jamiah Binti Abdul Hamid	-	-	-	-
Datuk Alladin Bin Hashim	-	-	-	-
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman Bin Haji Wan Ya'acob	-	-	-	-
Dato' Hilmi Bin Mohd Noor	-	-	-	-
Dr. Aziuddin Bin Ahmad	-	-	166,392,000^	19.90
<b>Substantial Shareholders</b>				
Yayasan Pelaburan Bumiputera ("YPB")	-	-	385,628,232*	46.12
Permodalan Nasional Berhad ("PNB")	385,628,232	46.12	-	-
Impian Teladan Sdn Bhd	166,392,000	19.90	-	-
Employees Provident Fund Board	66,962,300	8.01	-	-
Dr. Aziuddin Bin Ahmad	-	-	166,392,000^	19.90
Zainal Rashid Bin Abdul Rahman	-	-	166,392,000^	19.90
The Straits Trading Company Limited	16,846,947	2.01	-	-

\* YPB is deemed interested in 385,628,232 shares in MMC, held through PNB. YPB owns 100% less one share of PNB.

^ Indirect shareholding through his substantial shareholding in Impian Teladan Sdn. Bhd.



### 3. RATIONALE

After coming through the recent economic crisis, the MRCB Group is strengthening itself by reorganising its balance sheets. The Disposal is part of the management's ongoing exercise to meet this objective.

MRCB's economic return from its investment in Malakoff, being an associated company, has mainly been in the form of dividend payments. The Disposal, as such represents an opportunity for MRCB to unlock the value of its investment in Malakoff under which a total proceeds of approximately RM744 million was realised.

### 4. UTILISATION OF PROCEEDS

The aggregate cash proceeds arising from the Disposal would enable the Company to pay down the RPS and a substantial portion of its bank borrowings, as well as meeting the Group's working capital requirements as follows:-

	RM'000
Redemption of RPS, inclusive of premium on a pro-rated basis *	136,964
Repayment of bank borrowings ^	463,000
Provision of working capital	144,129
	<u>744,093</u>

\* *On 1 April 1998, MRE has issued as fully paid-up 104.5 million redeemable non-cumulative preference shares of RM1.00 each at par to TJSB (then a wholly-owned subsidiary of MRCB), as full satisfaction of the advance of RM104.5 million from TJSB to MRCB. As mutually agreed between MRCB and TJSB, MRCB had provided an undertaking to fully redeem the RPS held by TJSB inclusive of a premium of RM0.60 per share by 31 March 2001.*

*On 25 February 2000, MRCB had secured the approval of its lenders before procuring MRE to fully redeem the RPS held entirely by TJSB. Subsequently, on 3 November 2000 MRCB announced that MRE had on 2 November 2000 fully redeemed the RPS inclusive of a premium of RM32.464 million, calculated on a daily basis pro-rated from the issue date of 1 April 1998 up to the early redemption date of 2 November 2000.*

^ *As at 31 December 2000, MRCB's total bank borrowings amount to RM254.714 million after part repayment of the borrowings from the proceeds of the Disposal.*

## 5. FINANCIAL EFFECTS OF THE DISPOSAL

### 5.1 Share Capital

The Disposal will not have any effect on the issued and paid-up share capital of MRCB.

### 5.2 NTA

Based on the audited accounts of the MRCB Group for the financial year ended 31 August 2000, the proforma effects of the Disposal on the consolidated NTA of MRCB are as follows :-

	Audited as at 31 August 2000 RM'000	After the Disposal RM'000
Share capital	975,096	975,096
Reserves	166,524	345,147
Shareholders' funds	1,141,620	1,320,243
Less:		
Goodwill on consolidation	(31,763)	(31,763)
Group's share of intangibles	(294,561)	(248,165)
Premium on acquisition	(609,871)	(531,316)
NTA	205,425	508,999
NTA per share (sen)	21.1	52.2

The proforma consolidated balance sheets of the Group as at 31 August 2000 together with the auditors' letter thereon is set out in Appendix II of this Circular.

### 5.3 Earnings

The First Tranche of the Disposal resulted in MRCB realising an exceptional gain of RM76.001 million and RM36.783 million at company and group level respectively for the financial year ended 31 August 2000. This exceptional gain improved the Group's net earnings on a per share basis by approximately 3.8 sen for the financial year ended 31 August 2000.

The Second Tranche of the Disposal which was completed on 31 October 2000 will result in an exceptional gain of RM342.067 million and RM169.112 million at company and group level respectively for the financial year ending 31 August 2001. This exceptional gain would improve the Group's net earnings per share basis by approximately 17.3 sen for the financial year ending 31 August 2001.

The repayment of the bank borrowings from the proceeds of the Disposal is estimated to result in interest cost savings of approximately RM40.79 million per year (or approximately 4.2 sen per share) based on the Group's average borrowing cost of 8.81% per annum. The redemption of the RPS will result in the Group incurring a loss on premium of RM32.4 million (or approximately a loss of 3.3 sen per share).

## **6. APPROVALS REQUIRED**

The Disposal is conditional upon the approval of the SC for the lifting of the moratorium on the remaining 17,151,703 ordinary shares of RM1.00 each in Malakoff held by MRCB which form part of the Disposal Shares. The moratorium was originally imposed by the SC vide the SC's letter dated 17 January 1994 in connection with the acquisition by Malakoff of 75% equity interest in Sikap Energy Ventures Sdn Bhd through the issuance of new ordinary shares of RM1.00 each in Malakoff. The approval of the SC for the lifting of the aforesaid moratorium was obtained on 24 April 2000 without any conditions imposed.

The Disposal does not require shareholders approval as it does not fall under Section 116 of the KLSE Main Board Listing Requirements.

The Disposal is conditional on the approval of the shareholders of MMC at an Extraordinary General Meeting of MMC which was obtained on 27 September 2000. The unconditional approval of FIC was obtained by MMC as the acquirer of the Disposal Shares on 17 October 2000.

The Disposal was completed on 31 October 2000 with completion of the disposal of the Second Tranche.

## **7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND PERSON CONNECTED WITH THEM**

In so far as the Board of MRCB is aware, none of the Directors or substantial shareholders of MRCB or any person connected with them have any interest, direct or indirect, in the Disposal.

## **8. DIRECTORS' OPINION**

Your Directors, after careful consideration on all matters pertaining to the Disposal are of the opinion that the Disposal is in the best interest of the Company.

## **9. ADDITIONAL INFORMATION**

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully  
On behalf of the Board of Directors  
**MALAYSIAN RESOURCES CORPORATION BERHAD**

**DATO' SERI ABDUL RAHMAN BIN MAIDIN**  
Chairman

**INFORMATION ON MALAKOFF****1. HISTORY AND BUSINESS**

Malakoff was incorporated in Malaysia under the Companies Act, 1965 as a public limited company on 9 October 1975 under its present name. Malakoff was listed on the KLSE on 12 February 1976. Malakoff is principally involved in the generation and sales of electricity and other related business through its 75% owned-subsiidiary, Segari Energy Ventures Sdn Bhd which owns and operates the combine cycle 1,303 megawatt Lumut Power Plant in Segari, Perak Darul Ridzuan. Malakoff, via its wholly-owned subsidiary, Hypergantic Sdn Bhd, also has a 20% stake in Port Dickson Power Berhad, which owns and operates a dual fuel 440 megawatt open cycle peaking plant in Tanjong Gemok, Port Dickson.

Based on the audited accounts of Malakoff for the financial year ended 31 August 2000, Malakoff registered a profit after tax and minority interest of RM344.179 million. Its audited NTA per share as at 31 August 2000 is RM5.82.

As at 30 January 2001 the Malakoff Group has 262 employees.

**2. SHARE CAPITAL**

The present authorised share capital of Malakoff is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each of which 278,241,334 ordinary shares have been issued and fully paid-up as at 30 January 2001.

**3. MOVEMENT IN ISSUED AND PAID-UP SHARE CAPITAL**

Details of changes in the issued and paid-up share capital of Malakoff since incorporation to 30 January 2001 are as follows:

<b>Allotment date</b>	<b>No. of ordinary shares of RM1.00 each</b>	<b>Consideration</b>	<b>Total RM</b>
09.10.1975	2	Subscribers' shares	2
02.01.1976	20,447,158	Issued pursuant to the acquisition of Malakoff Rubber Estates Ltd at par	20,447,160
09.06.1978	6,815,720	Bonus Issue of 1 for 3	27,262,880
06.06.1980	13,631,440	Bonus Issue of 1 for 2	40,894,320

Allotment date	No. of ordinary shares of RM1.00 each	Consideration	Total RM
26.06.1981	1,783,000	Issued pursuant to the acquisition of Sabah Agricultural Development (Holdings) Sdn Bhd at RM4.10 per share*	42,677,320
30.09.1981	67,000	Issued pursuant to the acquisition of Sabah Agricultural Development (Holdings) Sdn Bhd at RM4.10 per share*	42,744,320
28.02.1990	42,744,320	Bonus Issue 1 for 1	85,488,640
22.06.1993	7,896,875	Issued pursuant to the acquisition of 29.1% equity interest in Ladang Segaria Sdn Bhd at RM1.60 per share	93,385,515
23.03.1994	31,111,111	Issued pursuant to the acquisition of 75% equity interest in Sikap Energy Ventures Sdn Bhd, which is now Segari Energy Ventures Sdn Bhd at RM4.50 per share	124,496,626
25.03.1994	13,661,850	Special Issue to Sikap Power Sdn Bhd at RM4.50 per share (a)	138,158,476
27.05.1994	15,593,211	Special issue to Bumiputera investors approved by Ministry of International Trade and Industry at RM3.70 per share (b)	153,751,687
09.06.1994	62,248,313	Rights issue of 1 for 2 at RM3.70 per share (before special issue of (a) and (b) above)	216,000,000
02.11.1996	9,375,000	Issued for the acquisition of Hypergantic Sdn Bhd at RM8.00 per share	225,375,000
22.10.1997 to 09.06.1998	122,000	Issued pursuant to exercise of the ESOS	225,497,000
20.08.1998	46,833,334	Issued pursuant to the acquisition of Teknik Janakuasa Sdn Bhd at RM9.00 per share	272,330,334
03.11.1998 to 30.01.2001	5,911,000	Issued pursuant to exercise of the ESOS	278,241,534

\* Sabah Agricultural Development (Holdings) Sdn Bhd was previously the holding company of Ladang Segaria Sdn Bhd. When the former was liquidated, its investments in Ladang Segaria Sdn Bhd were transferred to Malakoff.

#### 4. SUBSIDIARY AND ASSOCIATED COMPANIES

Name of subsidiary/ Associated company	Date & place of incorporation	Issued and paid-up share capital RM	Effective equity interest (%)	Principal activities
<i>Subsidiary companies:-</i>				
Segari Energy Ventures Sdn Bhd	02.09.1992 Malaysia	4,001,000	75	Design, construction, operation and maintenance of combined cycle power plant, sale of generating capacity of electricity of the power plant
Malakoff Engineering Sdn Bhd	18.01.1996 Malaysia	1,000,000	100	Provision of project management and engineering consultancy services
Wirazone Sdn Bhd	20.01.1996 Malaysia	2	100	Build, own and operate district cooling plant and electricity distribution system
Hypergantic Sdn Bhd	05.12.1992 Malaysia	30,010,000	100	Investment holding
Desa Kilat Sdn Bhd	30.07.1996 Malaysia	1,000,000	54	Land reclamation development and sale of reclaimed land
Spring Assets Ltd	03.12.1996 British Virgin Islands	USD1,000	100	Offshore operations
Teknik Janakuasa Sdn Bhd	28.07.1993 Malaysia	1,000,000	100	Operations and maintenance of power plants
Natural Analysis Sdn Bhd (100% subsidiary of Teknik Janakuasa Sdn Bhd)	09.07.1994 Malaysia	2	100	Dormant
Tuah Utama Sdn Bhd	04.05.1999 Malaysia	2	100	Investment Holding
Transpool Sdn Bhd	21.04.1999 Malaysia	2	100	Dormant
Kapar Energy Ventures Sdn Bhd	29.06.2000 Malaysia	1,000	100	Dormant
Malakoff Gulf Limited	09.06.2000 British Virgin Islands	USD2	100	Offshore operations
GB3 Sdn Bhd	09.08.2000 Malaysia	2	100	Generation and sale of electricity

Name of subsidiary/ Associated company	Date & place of incorporation	Issued and paid-up share capital RM	Effective equity interest (%)	Principal activities
<i>Associated companies:-</i>				
Port Dickson Power Berhad	12.05.1993 Malaysia	150,000	20*	Generation and sale of electricity
Lekir Bulk Terminal Sdn Bhd	18.12.1996 Malaysia	68,000,000	20**	Bulk terminal jetty and coal-handling services

\* Held through *Hypergantic Sdn Bhd*, a wholly-owned subsidiary of *Malakoff*

\*\* Held through *Tuah Utama Sdn Bhd*, a wholly owned subsidiary of *Malakoff*

## 5. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of *Malakoff* and their shareholding as at 30 January 2001 are as follows:

Shareholder	----- Direct -----		----- Indirect -----	
	No. of shares held	%	No. of shares held	%
MMC	62,007,778	22.29	-	-
International Power Plc (formerly known as National Power PLC)	53,865,000 <sup>a</sup>	19.36	-	-
Employees Provident Fund Board	40,422,000 <sup>b</sup>	14.53	-	-
Permodalan Nasional Berhad ("PNB")	-	-	62,007,778 <sup>c</sup>	22.29
Great Eastern Life Assurance (Malaysia) Berhad	5,814,000 <sup>f</sup>	2.09	-	-
Impian Teladan Sdn Bhd	-	-	62,007,778 <sup>c</sup>	22.29
Yayasan Pelaburan Bumiputera	-	-	62,007,778 <sup>d</sup>	22.29
Dr. Aziuddin Bin Ahmad	-	-	62,007,778 <sup>e</sup>	22.29
Zainal Rashid Bin Ab. Rahman	-	-	62,007,778 <sup>e</sup>	22.29

a) Held through *Arab Malaysian Nominees (Asing) Sdn Bhd*

b) Of which 1,000,000 *Malakoff* Shares are held through *MIMB Nominees (Tempatan) Sdn Bhd*, 799,000 *Malakoff* Shares are held through *ABN Amro Nominees (Tempatan) Sdn Bhd* and 625,000 *Malakoff* Shares are held through *HSBC Nominees (Tempatan) Sdn Bhd*

c) Deemed interest by virtue of their respective direct substantial shareholdings in *MMC*

d) Deemed interest by virtue of its direct substantial shareholding in *PNB*

e) Deemed interest by virtue of their respective direct substantial shareholdings in *Impian Teladan Sdn Bhd*

f) Held through *Malaysia Nominees (Tempatan) Sdn Bhd*

## 6. DIRECTORS' SHAREHOLDING

The particulars of the directors of Malakoff and their shareholding in Malakoff as at 30 January 2001 are as follows:

Director	Position	----- Direct ----		--- Indirect ---	
		No. of shares held	%	No. of shares held	%
Tan Sri Ibrahim Menudin	Chairman and Director	-	-	-	-
Ahmad Jauhari Yahya	Managing Director	-	-	-	-
Dato' Abdul Aziz Abdul Rahim	Director	-	-	-	-
Dato' Mohammad Radzi @ Mohd Radzi Manan	Director	-	-	-	-
Iain William McMorine	Director	-	-	-	-
Dato' Ilyas Ling Abdullah	Director	-	-	-	-
Abdul Jabbar Bin Abdul Majid	Independent Non-Executive Director	-	-	-	-
Phan Leong Kim	Alternate Director	-	-	-	-



## 7. PROFIT AND DIVIDEND RECORDS

The following is a summary of the financial highlights of the audited financial results of Malakoff for the past five financial years ended 31 August 1996 to 2000 and the unaudited results for the 3 months period ended 30 November 2000.

Year ended 31 August	Year ended 31 August					Unaudited for the 3 months period ended 30 November 2000
	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	
Turnover	136,511	929,163	1,388,474	1,572,603	1,473,196	389,671
Profit before taxation	38,834	300,679	400,591	546,785	544,158	142,275
Taxation	(11,834)	(87,776)	(130,264)	(109,456)	(154,140)	(42,298)
Pre-acquisition profit	-	(3,353)	-	-	-	-
Minority interest ("MI")	(4,862)	(25,387)	(39,128)	(64,198)	(45,839)	(13,679)
Profit after taxation and MI	22,138	184,163	231,199	373,131	344,179	86,298
Weighted average no. of ordinary shares in issue ('000)	216,000	272,208	272,264	272,612	274,342	277,611
Gross EPS (sen)	17.9	110.5	147	200	198	51.2
Net EPS (sen)	10.2	67.7	84.9	137	125	31.1
Gross dividend per share (%)	3.0	8.0	8.0	10.0	15	-

### Notes

- (i) *The significant increase in turnover and profits in the year ended 31 August 1996 is attributable to Block 1 of the Lumut Power Plant which commence commercial operations on 1 July 1996. In the same year, Malakoff ventured into project management and engineering consultancy for Juru-Bayan Lepas Submarine Cable Project.*
- (ii) *The significant increase in turnover and pre-tax profits for the year ended 31 August 1997 was due to the full commercial operations of Block 1 and commercial operations for a period of 7 months of Block 2 of the Lumut Power Plant, and share of results from Port Dickson Power Berhad ("PD Power"). The acquisition by Malakoff of 20% equity interest in PD Power was completed on 4 November 1996.*
- (iii) *The significant increase in turnover and pre-tax profits for the year ended 31 August 1998 was due to the result of the full commercial operations of Block 1 and Block 2 of the Lumut Power Plant.*
- (iv) *Income tax was not provided for as the business or non business income (except for dividend income) for the for the financial year ended 31 August 1999 in view of the tax waiver for 1999 pursuant to the Income Tax (Amendment) Act 1999.*
- (v) *There were no extraordinary or exceptional items for the above financial years.*

## 8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Malakoff for the past twelve months as traded on the KLSE are as follows:-

Year	Month	High RM	Low RM
2000	February	11.60	9.95
	March	10.40	9.95
	April	10.50	9.60
	May	10.40	9.20
	June	10.00	8.50
	July	9.80	8.90
	August	10.00	9.50
	September	9.60	10.00
	October	9.50	8.65
	November	10.00	9.55
	December	9.70	9.10
2001	January	9.65	8.95

Last transacted price on 31 January 2000 RM9.50  
(Being the last price traded prior to the first announcement of the Disposal)

Last transacted price on 28 July 2000 RM9.79  
(Being the last price traded prior to the second announcement of the Disposal)

Last transacted price on 22 February 2001 RM9.80  
(Being the last practicable date prior to printing of this Circular)

*(Source: KLSE Daily Diary and Bloomberg)*

## 9. AUDITED ACCOUNTS

The extract of the audited accounts of Malakoff for the financial year ended 31 August 2000 together with the auditors' report thereon are set out as follows. There were no audit qualifications in respect of these accounts.



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Public Accountants  
Wisma KPMG  
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Malaysia

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### **Report of the auditors to the members of Malakoff Berhad and its subsidiary companies** (Company No. 24816-M) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 18 to 51. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 August 2000 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association

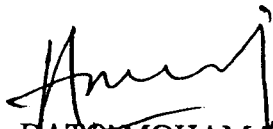
Company No. 24816-M

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.

None of the audit reports on the financial statements of the subsidiary companies were subject to any qualification nor included any comment under sub-section (3) of Section 174 of the Act.



KPMG  
Firm Number: AF 0758  
Public Accountants



DATO MOHAMAD AIDID MOHD SHARIFF  
Partner  
Approval Number: 930/6/02(J/PH)

Kuala Lumpur,

Date: 20 DEC 2000

# Malakoff Berhad and its subsidiary companies

(Company No. 24816-M)  
(Incorporated in Malaysia)

## Consolidated balance sheet at 31 August 2000

	Note	2000 RM'000	1999 RM'000
<b>Property, plant and equipment</b>	2	3,061,495	3,138,143
<b>Investments</b>	3	207,790	223,406
<b>Investment in associated companies</b>	5	131,978	97,840
<b>Goodwill on consolidation</b>	6	113,334	120,000
<b>Current assets</b>			
Inventories	7	143,446	139,746
Trade and other receivables	8	584,411	382,870
Cash and cash equivalents	9	805,041	675,517
		1,532,898	1,198,133
<b>Current liabilities</b>			
Trade and other payables	10	222,547	216,764
Borrowings	11	171,689	204,359
Proposed dividend		29,885	27,301
Hire purchase creditors	12	718	446
Taxation		50,222	50,580
		475,061	499,450
<b>Net current assets</b>		1,057,837	698,683
<b>Deferred expenditure</b>	13	78,908	99,021
		4,651,342	4,377,093
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	14	276,717	273,007
Reserves		1,558,857	1,222,950
<b>Shareholders' fund</b>		1,835,574	1,495,957
<b>Long term and deferred liabilities</b>			
Minority interest		151,048	118,595
Borrowings	11	2,374,789	2,546,476
Hire purchase creditors	12	3,981	986
Deferred taxation	18	285,950	215,079
		4,651,342	4,377,093

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad and its subsidiary companies

(Company No. 24816-M)

(Incorporated in Malaysia)

## Income statement for the year ended 31 August 2000

	Note	2000 RM'000	1999 RM'000
Revenue		1,473,196	1,572,603
Cost of sales		(543,316)	(593,712)
<b>Gross profit</b>		<b>929,880</b>	<b>978,891</b>
Other operating income		28,346	28,789
Administrative expenses		(29,203)	(46,570)
Other operating expenses		(168,929)	(177,628)
<b>Operating profit</b>	15	<b>760,094</b>	<b>783,482</b>
Net financing costs	17	(236,691)	(255,832)
Share of profit of associate company		20,755	19,135
<b>Profit before tax</b>		<b>544,158</b>	<b>546,785</b>
Tax expense	18	(154,140)	(109,456)
<b>Profit after taxation</b>		<b>390,018</b>	<b>437,329</b>
Less minority interests		(45,839)	(64,198)
<b>Net profit for the year</b>		<b>344,179</b>	<b>373,131</b>
Basic earnings per ordinary share (sen)	20	125	137

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad and its subsidiary companies

(Company No. 24816-M)  
(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 31 August 2000

<i>Group</i>	Share premium RM'000	Revalua tion reserve RM'000	Retained profits RM'000	Sub total RM'000	Share capital RM'000	Total RM'000
At 1 September 1998	433,070	3,194	437,596	873,860	272,330	1,146,190
Issue of new shares	3,260	-	-	3,260	677	3,937
	36,330	3,194	437,596	877,120	273,007	1,150,127
Net profit for the year	-	-	373,131	373,131	-	373,131
Dividends	-	-	(27,301)	(27,301)	-	(27,301)
At 31 August 1999	436,330	3,194	783,426	1,222,950	273,007	1,495,957
Issue of new shares	26,789	-	-	26,789	3,710	30,499
Surplus on revaluation	-	9,390	-	9,390	-	9,390
Change in accounting policy - prior year adjustment (Note 28)	-	-	(14,566)	(14,566)	-	(14,566)
	463,119	12,584	768,860	1,244,563	276,717	1,521,280
Net profit for the year	-	-	344,179	344,179	-	344,179
Dividends	-	-	(29,885)	(29,885)	-	(29,885)
At 31 August 2000	463,119	12,584	1,083,154	1,558,857	276,717	1,835,574

Note 14

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad and its subsidiary companies

(Company No. 24816-M)

(Incorporated in Malaysia)

## Consolidated cash flow statement for the year ended 31 August 2000

	2000 RM'000	1999 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation and minority interest	544,158	546,785
Adjustments for:		
Premium receivable on redemption of redeemable preference shares	(12,540)	(12,540)
Depreciation	101,014	100,415
Gain on disposal of property, plant and equipment	(34)	(401)
Gain on disposal of unit trust	(1,125)	-
Amortisation of goodwill	8,748	8,748
Amortisation of pre-operating expenses	3,566	3,566
Amortisation of C-Inspection costs	37,666	15,227
Amortisation of refinancing expenses	-	2,330
Interest expense	254,338	279,369
Share of results in associated company	(20,755)	(19,135)
Interest income	(30,198)	(41,946)
Dividend income	(7,245)	(2,405)
Gain on disposal of quoted investment	(9,660)	-
Provision for diminution in value of quoted investments		-
- current year diminution	907	-
- prior year's provision written back	(3,975)	-
Fixed asset written down	-	10,873
Provision for doubtful debts	-	869
Project development cost written off	-	946
Bad debts written off	-	12,098
Deferred expenditure written off	2,001	-
Operating profit before working capital changes	866,866	904,799
Inventories	(3,697)	(13,113)
Trade and other receivables	(185,380)	(92,931)
Trade and other payables	2,921	205,600
Project work in progress	-	(50,550)
Realised project work in progress	-	149,573
Cash generated from operations	680,710	1,103,378
Tax paid	(79,811)	(62,744)
Interest paid	(251,476)	(293,127)
Retirement benefit paid	-	(104)
Interest received	26,612	41,946
Dividend received	3,769	8,381
Net cash generated from operating activities	379,804	797,730



	2000 RM'000	1999 RM'000
<b>Cash flows from investing activities</b>		
Disposal of subsidiary, net of cash disposed	-	(2,459)
Purchase of property, plant and equipment	(13,233)	(25,115)
Proceeds from disposal of property, plant and equipment	202	1,106
Pre-operating expenses paid	(42,542)	(59,579)
Proceeds from disposal of quoted investments	11,195	-
Purchase of other investments	(296)	(45)
Proceeds from disposal of unit trusts	19,900	-
Purchase of unquoted investments	(13,600)	-
Subscription of investment in preference shares	(14,014)	-
<b>Net cash used in investing activities</b>	<b>(52,388)</b>	<b>(86,092)</b>
<b>Cash flows from financing activities</b>		
Repayment of hire purchase liabilities	(535)	(449)
Repayment of long term loans	(204,357)	(140,420)
Dividends paid	(27,301)	(15,686)
Proceeds from issue of shares	30,499	3,937
Proceeds from hire purchase creditors	3,802	-
<b>Net cash used in financing activities</b>	<b>(197,892)</b>	<b>(152,618)</b>
<b>Net increase in cash and cash equivalents</b>	<b>129,524</b>	<b>559,020</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>675,517</b>	<b>116,497</b>
<b>Cash and cash equivalents at end of year</b>	<b>805,041</b>	<b>675,517</b>

#### Notes to the cash flow statement

##### 1. Cash and cash equivalents comprise:

Deposits with licensed financial institutions	706,181	557,000
Placement in commercial papers	52,194	40,417
Cash and bank balances	46,666	78,100
	<b>805,041</b>	<b>675,517</b>

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad

(Company No. 24816-M) -  
(Incorporated in Malaysia)

## Balance sheet at 31 August 2000

	Note	2000 RM'000	1999 RM'000
<b>Property, plant and equipment</b>	2	25,456	16,479
<b>Investments</b>	3	45,575	51,185
<b>Investment in subsidiary companies</b>	4	708,262	743,708
<b>Current assets</b>			
Other receivables	8	383,393	193,150
Cash and cash equivalents	9	20,531	1,978
		403,924	195,128
<b>Current liabilities</b>			
Other payables	10	39,642	29,864
Hire purchase creditors	12	116	94
Taxation		9,931	17,235
Proposed dividend		29,885	27,301
		79,574	74,494
<b>Net current assets</b>		324,350	120,634
		<u>1,103,643</u>	<u>932,006</u>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital	14	276,717	273,007
Reserves		826,617	658,657
<b>Shareholders' fund</b>		<u>1,103,334</u>	<u>931,664</u>
<b>Long term and deferred liabilities</b>			
Hire purchase creditors	12	309	342
		<u>1,103,643</u>	<u>932,006</u>

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad

(Company No. 24816-M)

(Incorporated in Malaysia)

## Income statement for the year ended 31 August 2000

	Note	2000 RM'000	1999 RM'000
Revenue		166,860	72,388
Cost of sales		-	(257)
		<hr/>	<hr/>
Gross profit		166,860	72,131
Other operating income		53,215	69,911
Administrative expenses		(2,576)	(19,297)
		<hr/>	<hr/>
Operating profit	15	217,499	122,745
Finance costs	17	(37)	(15,013)
		<hr/>	<hr/>
Profit before tax		217,462	107,732
Tax expense	18	(55,796)	(10,408)
		<hr/>	<hr/>
Net profit after tax for the year		<u>161,666</u>	<u>97,324</u>

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad

(Company No. 24816-M)  
(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 31 August 2000

Company	Share premium RM'000	Revalua tion reserve RM'000	Retained profits RM'000	Sub total RM'000	Share capital RM'000	Total RM'000
At 1 September 1998	433,070	3,194	149,110	585,374	272,330	857,704
Issue of new shares	3,260	-	-	3,260	677	3,937
	436,330	3,194	149,110	588,634	273,007	861,641
Net profit for the year	-	-	97,324	97,324	-	97,324
Dividend	-	-	(27,301)	(27,301)	-	(27,301)
	436,330	3,194	219,133	658,657	273,007	931,664
At 31 August 1999	26,789	-	-	26,789	3,710	30,499
Issue of new shares	-	9,390	-	9,390	-	9,390
Surplus on revaluation						
	463,119	12,584	219,133	694,836	276,717	971,553
Net profit for the year	-	-	161,666	161,666	-	161,666
Dividends	-	-	(29,885)	(29,885)	-	(29,885)
	463,119	12,584	350,914	826,617	276,717	1,103,334
At 31 August 2000						

Note 14

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# Malakoff Berhad

(Company No. 24816-M)  
(Incorporated in Malaysia)

## Cash flow statement for the year ended 31 August 2000

	2000 RM'000	1999 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation and minority interest	217,462	107,732
Adjustments for:		
Depreciation	695	424
Gain on disposal of property, plant and equipment	(25)	(7)
Interest expense	37	15,013
Interest income	(51,517)	(71,774)
Dividend income - unit trust	(2,569)	(69,636)
Gain on disposal of quoted investment	(9,660)	-
Provision for doubtful debts	-	149
Bad debts written off	-	11,869
Gain on disposal of unit trust	(925)	-
Operating profit/(loss) before working capital changes	153,498	(6,230)
Inventories	-	109
Trade and other receivables	(190,243)	174,524
Trade and other payables	9,778	(139,696)
Cash (used in)/generated from operations	(26,967)	28,707
Tax paid	(63,100)	(21,499)
Interest paid	(37)	(15,013)
Retirement benefit paid	-	(104)
Interest received	51,517	71,774
Dividend received	2,569	8,381
Net cash (used in)/generated from operating activities	(36,018)	72,246
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(241)	(500)
Proceeds from disposal of property, plant and equipment	62	118
Proceeds from disposal of unit trust	5,000	-
Proceeds from disposal of quoted investments	11,195	-
Proceeds from repayment of loan notes	35,447	30,992
Net cash generated from investing activities	51,463	30,610

	2000 RM'000	1999 RM'000
<b>Cash flows from financing activities</b>		
Repayment of hire purchase liabilities	(90)	(26)
Repayment of long revolving credit	-	(89,429)
Issue of new shares	30,499	3,937
Dividends paid	(27,301)	(15,686)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	3,108	(101,204)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	18,553	1,652
<b>Cash and cash equivalents at beginning of year</b>	1,978	326
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<u>20,531</u>	<u>1,978</u>
<b>Notes to the cash flow statement</b>		

**1. Cash and cash equivalents comprise:**

Deposits with licensed financial institutions	12,905	-
Cash and bank balances	7,626	1,978
	<hr/>	<hr/>
	<u>20,531</u>	<u>1,978</u>

The notes set out on pages 28 to 51 form an integral part of, and should be read in conjunction with, these financial statements.

# **Malakoff Berhad and its subsidiary companies**

(Company No. 24816-M)

(Incorporated in Malaysia)

## **Notes to the financial statements**

### **1. Summary of significant accounting policies**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

#### **(a) Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and in compliance with approved accounting standards in Malaysia.

#### **(b) Basis of consolidation**

The Group financial statements incorporate the audited financial statements of the Company and its subsidiary companies for the year ended 31 August 2000. Details of the subsidiary companies are set out in Note 4.

All the subsidiaries are consolidated using the acquisition method of accounting except for Teknik Janakuasa Sdn. Bhd. which meets the criteria of merger accounting under Malaysian Accounting Standard No. 2; Accounting for Acquisitions and Mergers.

The results of subsidiary companies acquired or sold during the year are included from or to the effective dates of acquisition or sale, respectively. At the date of acquisition, the fair value of the subsidiaries' net assets are determined and these values are reflected in the financial statements. The difference between the acquisition cost and fair value is reflected as reserve or goodwill on consolidation.

Subsidiary companies acquired which satisfy the merger accounting provisions under the Malaysian Accounting Standard No.2, Accounting for Acquisitions and mergers, are consolidated using the merger method of accounting. The results of the subsidiaries are presented as if the subsidiaries had been combined throughout the current and previous financial year. The difference between the nominal value of shares issued as consideration for the merger and the nominal value of the share capital of the subsidiary is taken to distributable reserves.

#### **(c) Goodwill**

Goodwill is stated at cost less accumulated depreciation. Goodwill on consolidation is amortised on a straight line basis over the period of the licence granted to a subsidiary to produce electricity for 21 years. Amortisation commenced upon the commencement of commercial operations of the subsidiary.

Goodwill on consolidation of an associate is amortised on a straight line basis over the balance of the period of the license granted to the associate company to produce electricity for 21 years. Amortisation commenced upon acquisition of the associate. The carrying amount of goodwill is included in the carrying amount of the investment in the associates.

#### **(d) Property, plant and equipment and depreciation**

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight line method so as to write off the cost of the assets over their estimated useful lives.

Freehold land is stated at cost or directors' valuation based on the open market valuation by an independent professional valuer. Any surplus arising from valuation is credited to the revaluation reserve. Land and buildings are revalued once in every five years with additional valuation in the intervening years when market values have changed materially.

Freehold land is not depreciated whereas leasehold land is depreciated over the period of the lease. Certain plant and machinery is not depreciated as construction is in progress. The annual rates of depreciation of the assets are as follows:-

Buildings	2.5% to 5%
Power plant	2.9%
Plant and machinery	10% to 20%
Office equipment and furnitures	10% to 25%
Motor vehicles	20% to 25%
Computers	33 1/3%

#### **(e) Capitalisation of borrowings costs**

Interest incurred on external borrowings related to the financing of the construction of plant is capitalised. Capitalisation will cease when the assets are ready for their intended use.

#### **(f) Foreign currencies**

Foreign currency transactions are translated into Ringgit Malaysia at the rates of exchange approximating those ruling at the transaction dates. Assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. All exchange differences are included in the profit and loss account.



**(g) Accounting for hire purchase**

Property, plant and equipment acquired under hire purchase agreements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements are included as hire purchase creditors.

The interest element of the rental obligations is charged to pre-operating expenses or the income statement over the period of the hire purchase and accounted for based on the sum-of-digits method.

**(h) Inventories**

Spares and consumables and diesel fuel are valued at cost and is determined on a first-in-first-out (FIFO) basis.

**(i) Deferred taxation**

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

**(j) Investment in unit trusts and quoted shares**

Investment in unit trusts and quoted shares are stated at cost. Provision for diminution in value is made when the directors are of the opinion that there is a permanent diminution in the value of the investment.

**(k) Investment in subsidiary companies**

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost in the Company's financial statements. Provision for diminution in value is made when the directors are of the opinion that there is a permanent diminution in the value of the investments.

**(l) Investment in associated company**

Investment in associated company in the Group financial statements are accounted for under the equity method of accounting based on audited financial statements made up to 31 December 1999 and management financial statements of the associated company made up to the end of the financial year.

**(m) Investment in redeemable preference shares**

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.

**(n) Other investments**

Other investments are stated at cost. Provision for diminution in value is made when the directors are of the opinion that there is a permanent diminution in the value of the investments.

**(o) Deferred expenditure**

Deferred expenditure consists of pre-operating expenses and scheduled inspection costs.

All expenses incurred by subsidiary companies prior to commencement of operations are treated as pre-operating expenses. Pre-operating expenses will be amortised over a period of ten years upon the commencement of commercial operations of the respective subsidiary companies. However, in compliance with MASB Standard No. 1, pre-operating expenses are not to be carried on the face of balance sheet.

Thus, the remaining pre-operating expenses has been written off to the retained profit brought forward. This has resulted in a lower Groups' retained profit brought forward of RM768,860,000 as opposed to the previously reported figure of RM783,426,000.

All expenses incurred by a subsidiary company for major scheduled inspection of the power plant are treated as scheduled inspection costs. Scheduled inspection costs are amortised on a straight line basis over the period of 35 months as the inspections would result in improved efficiency, which is the estimated time frame before the next major inspections.

**(p) Revenue**

Turnover of the Company represents dividend income and management fees received.

Turnover of the Group comprises the following:-

- capacity, energy and operations and maintenance charges invoiced;
- project management and engineering consultancy fees;
- loan stock interest and dividend received; and
- income from land reclamation, shore protection, dredging and associated works.

**(q) Income recognition - Project work-in-progress**

Income from contract work is recognised on the percentage of completion method in cases where the outcome of the contract can be reliably estimated.

**(r) Operating leases**

Leases where substantially all rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals of operating leases are charged to the income statement in the year in which they are incurred.

**(s) Affiliated company**

An affiliated company is a company which holds a long term interest of not less than 20% but not exceeding 50% in the equity capital of the Company and exercises significant influence over the financial and operating policies of the Company.

**(t) Cash and cash equivalents**

Cash comprises cash in hand, bank balances and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, less short term borrowings repayable on demand.

## 2. Property, plant and equipment

Group	At valuation		At cost							
	Freehold land RM'000	Buildings RM'000	Freehold land RM'000	Leasehold land RM'000	Power plant RM'000	Plant and machinery RM'000	Office equipment and furnitures RM'000	Motor vehicles RM'000	Computers RM'000	Total RM'000
<i>Cost/Valuation</i>										
At 1 September 1999	8,800	1,043	7,212	6,159	3,383,314	21,688	9,319	5,884	4,369	3,447,788
Additions	-	-	-	-	1,923	9,262	449	1,010	589	13,233
Revaluation	9,390	-	-	-	-	-	-	-	-	9,390
Disposals	-	-	-	-	-	-	(11)	(311)	-	(322)
Reclassified from investments	-	1,911	-	-	-	-	-	-	-	1,911
At 31 August 2000	18,190	2,954	7,212	6,159	3,385,237	30,950	9,757	6,583	4,958	3,472,000
<i>Representing items at:</i>										
Cost	-	2,954	7,212	6,159	3,385,237	30,950	9,757	6,583	4,958	3,453,810
Directors' valuation	18,190	-	-	-	-	-	-	-	-	18,190
At 31 August 2000	18,190	2,954	7,212	6,159	3,385,237	30,950	9,757	6,583	4,958	3,472,000
<i>Depreciation</i>										
At 1 September 1999	-	959	-	124	299,849	160	3,389	2,870	2,294	309,645
Charge for the year	-	20	-	63	96,706	53	1,978	1,113	1,081	101,014
Disposals	-	-	-	-	-	-	(3)	(151)	-	(154)
At 31 August 2000	-	979	-	187	396,555	213	5,364	3,832	3,375	410,505
<i>Net book value</i>										
At 31 August 2000	18,190	1,975	7,212	5,972	2,988,682	30,737	4,393	2,751	1,583	3,061,495
At 31 August 1999	8,800	84	7,212	6,035	3,083,465	21,528	5,930	3,014	2,075	3,138,143
Depreciation charge for the year ended 31 August 1999	-	24	-	62	96,625	25	1,798	970	978	100,482

Company	At valuation	At Cost					Total
		Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant and machinery RM'000	Office equipment and furniture RM'000	
<b>Cost</b>							RM'000
At 1 September 1999	8,800	1,043	6,159	153	1,741	837	18,733
Additions	-	-	-	-	222	97	319
Revaluation	9,390	-	-	-	-	-	9,390
Disposal	-	-	-	-	(11)	(86)	(97)
At 31 August 2000	18,190	1,043	6,159	153	1,952	848	28,345
<b>Representing items at:</b>							
Cost	-	1,043	6,159	153	1,952	848	10,155
Directors' valuation	18,190	-	-	-	-	-	18,190
At 31 August 2000	18,190	1,043	6,159	153	1,952	848	28,345
<b>Depreciation</b>							
At 1 September 1999	-	959	124	131	867	173	2,254
Charge for the year	-	20	63	3	441	168	695
Disposal	-	-	-	-	(3)	(57)	(60)
At 31 August 2000	-	979	187	134	1,305	284	2,889
<b>Net book value</b>							
At 31 August 2000	18,190	64	5,972	19	647	564	25,456
At 31 August 1999	8,800	84	6,035	22	874	664	16,479
Depreciation charge for the year ended 31 August 1999	-	24	62	4	324	94	508

Depreciation charge of the Group has been allocated to:

	2000 RM'000	1999 RM'000
Profit and loss account	101,014	100,415
Pre-operating expenses	-	67
	<u>101,014</u>	<u>100,482</u>

Included in the cost of plant and machinery of the Group is interest capitalised during the year amounting to Nil (1999 - RM723,000).

### ***Revaluation***

The freehold land and buildings stated at valuation were latest revalued in March 2000 by independent professionals using the market value for existing use basis. The tax effects in relation to this revalued assets is approximately RM900,000 (1999 - RM160,000). The freehold land, power plant and machinery of a subsidiary company have been charged as security for banking facilities granted to that subsidiary company.

Had the freehold land been carried at historical cost, the carrying amount of the revalued asset that would have been included in the financial statements at the end of the financial year is as follows:-

	Group and Company 2000 RM'000	1999 RM'000
Freehold land	<u>5,606</u>	<u>5,606</u>

Motor vehicles of the Group with a total net book value of RM2,251,000 (1999 - RM1,748,000) were acquired under hire purchase arrangements.

### 3. Investments

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unit trusts, at cost	145,074	162,396	64,500	70,400
Shares quoted in Malaysia, at cost	-	9,461	-	9,461
	<u>145,074</u>	<u>171,857</u>	<u>64,500</u>	<u>79,861</u>
Less: Provision for diminution in value	(41,784)	(54,604)	(18,925)	(28,676)
	<u>103,290</u>	<u>117,253</u>	<u>45,575</u>	<u>51,185</u>
Investment in redeemable preference shares *	104,500	104,500	-	-
Investment in properties	-	1,653	-	-
	<u>207,790</u>	<u>223,406</u>	<u>45,575</u>	<u>51,185</u>
Market value of quoted investments:				
Unit trusts	104,765	123,115	47,050	51,700
Shares quoted in Malaysia	-	9,323	-	9,323
	<u>104,765</u>	<u>132,438</u>	<u>47,050</u>	<u>61,023</u>

\* This represents 104,500,000 redeemable preference shares of RM1.00 each in MR Enterprises Sdn. Bhd., a wholly-owned subsidiary of Malaysian Resources Corporation Berhad with a 5 year tenure and is redeemable at a premium of RM0.60 per share at the end of the fifth year. The amount has been redeemed subsequent to the year end.

### 4. Investment in subsidiary companies

Investment in subsidiary companies is represented by:-

	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	266,547	266,546
Unsecured loan notes	441,715	477,162
	<u>708,262</u>	<u>743,708</u>

The unquoted shares are stated at cost. The loan notes are unsecured, bear interest at 10% per annum and are repayable over a period of twelve years.

Details of the subsidiary companies are as follows:-

	Country of incorporation	Percentage of ownership		Principal activities
		2000	1999	
Segari Energy Ventures Sdn. Bhd.	Malaysia	75	75	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electricity
Teknik Janakuasa Sdn. Bhd. and its subsidiary company	Malaysia	100	100	Operation and maintenance of power plants
Natural Analysis Sdn. Bhd.	Malaysia	100	100	Dormant
Malakoff Engineering Sdn. Bhd.	Malaysia	100	100	Provision of engineering, consultancy and project management services
Wirazone Sdn. Bhd.	Malaysia	100	100	Build, own and operate a district cooling plant and an electricity distribution system
Hypergantic Sdn. Bhd.	Malaysia	100	100	Investment holding
Desa Kilat Sdn. Bhd.	Malaysia	54	54	Land reclamation, development and/or sale of reclaimed lands
Spring Assets Limited	British Virgin Islands	100	100	Offshore operations
Tuah Utama Sdn. Bhd.	Malaysia	100	100	Investment holding
Transpool Sdn. Bhd.	Malaysia	100	100	Dormant
Malakoff Gulf Limited	British Virgin Islands	100	-	Offshore operations
Kapar Energy Ventures Sdn. Bhd.	Malaysia	100	-	Dormant
GB3 Sdn. Bhd.	Malaysia	100	-	Generation and sale of electricity



## 5. Investment in associated companies

Investment in associated companies is represented by:-

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Unquoted shares - at cost	53,560	39,960	-	-
Group's share of post acquisition profits	42,590	33,984	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	96,150	73,944	-	-
Unquoted loan stock, at cost	29,940	29,940	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	126,090	103,884	-	-
Less: Amortisation of goodwill	(8,126)	(6,044)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	117,964	97,840	-	-
Investment in Redeemable Non-Cumulative Convertible Preference Shares (RNCPS)	10,014	-	-	-
Investment in Redeemable Cumulative Convertible Preference Shares (RCCPS)	4,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	131,978	97,840	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Group's share of net assets of associated company	86,190	63,984		
Goodwill on acquisition, less amortisation	31,774	33,856		
	<hr/>	<hr/>		
	117,964	97,840		
	<hr/>	<hr/>		

Details of the associated companies are as follows:-

	Country of incorporation	Percentage of ownership		Principal activities
		2000	1999	
Port Dickson Power Bhd.	Malaysia	20	20	Generation and sale of electricity
Lekir Bulk Terminal Sdn. Bhd.*	Malaysia	20	29	Bulk terminal jetty and coal-handling services

\* Dilution in interest is due to increased in issued and paid-up capital of the associated company not subscribed by the Company.

**6. Goodwill on consolidation**

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 September	120,000	126,667
Less: Goodwill amortised during the year	(6,666)	(6,667)
	<u>113,334</u>	<u>120,000</u>
As at 31 August	<u>113,334</u>	<u>120,000</u>

**7. Inventories**

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>
Spares and consumables	134,390	130,080
Diesel fuel	9,056	9,666
	<u>143,446</u>	<u>139,746</u>

**8. Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	239,713	258,147	-	-
Other debtors, deposits and prepayments	344,698	125,592	274,777	98,640
Less: Provision for doubtful debts	-	(869)	-	(149)
	<u>584,411</u>	<u>382,870</u>	<u>274,777</u>	<u>98,491</u>
Subsidiaries	-	-	108,616	94,659
	<u>584,411</u>	<u>382,870</u>	<u>383,393</u>	<u>193,150</u>

Included in other debtors of the Group is an accrued premium receivable upon redemption of the Group's investment in redeemable preference shares amounting to RM30,305,000 (1999 - RM17,765,000) (See Note 3). The amount has been received subsequent to the year end.

Included in other debtors of the Group is an amount of RM13,977,000 (1999 - RM16,307,000) representing expenses incurred to restructure the loans of a subsidiary company from normal loan facilities to Islamic instruments. This amount is amortised over the period of the loan. The restructured facility has resulted in the reduction of interest expense as the restructured facility bears a lower interest rate as compared to the previous facilities.

Included also in other debtors of the Group and the Company is an amount of RM250,800,000 being deposit paid for the purchase of a power plant.

The amount due from subsidiary companies is unsecured, bears interest at 1% over BLR (1999 - 1% over BLR) and has no fixed term of repayment.

## 9. Cash and cash equivalents

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Deposits with licensed financial institutions	706,181	557,000	12,905	-
Placement in commercial papers	52,194	40,417	-	-
Cash and bank balances	46,666	78,100	7,626	1,978
	<u>805,041</u>	<u>675,517</u>	<u>20,531</u>	<u>1,978</u>

Included in the deposits of the group is a sum of RM16,500,000 (1999 - Nil) pledged to a bank for facility granted to a subsidiary company.

## 10. Trade and other payables

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Trade payables	99,232	80,136	-	954
Other creditors and accrued expenses	123,315	136,628	2,688	-
Subsidiaries	-	-	36,954	28,910
	<u>222,547</u>	<u>216,764</u>	<u>39,642</u>	<u>29,864</u>

The amount due to subsidiary companies is unsecured, bears interest at 1% over BLR (1999 - 1% per annum over the lending financial institution base lending rate and 1% per annum over the prevailing fixed deposit rate of commercial bank) and has no fixed term of repayment.

## 11. Borrowings

	Group	
	2000 RM'000	1999 RM'000
Fixed rate bonds - secured	1,184,386	1,279,430
Syndicated fixed rate loans - secured	1,162,352	1,162,352
Syndicated floating rate loans - secured	52,500	150,000
Subordinated loan notes - secured	147,240	159,053
	<u>2,546,478</u>	<u>2,750,835</u>
Current	171,689	204,359
Non current	2,374,789	2,546,476
	<u>2,546,478</u>	<u>2,750,835</u>

***Terms and debt repayment schedule***

The fixed rate bonds and syndicated fixed rate loans are secured by a fixed charge on a subsidiary's assets. The fixed rate bonds bear interest at 10.25% (1999 - 10.25%) per annum whereas the syndicated fixed rate loans bear interest ranging from 7.8% to 8.5% (1999 - 7.8% to 8.5%) per annum.

The syndicated floating rate loans are secured by a floating charge on a subsidiary's assets and bear interest ranging from 3.4% to 4.77% (1999 - 6.5% to 7.97%) per annum.

The subordinated loan notes obtained from the shareholders of a subsidiary company are unsecured and bear interest at 10% (1999 - 10%) per annum.

The fixed rate bonds, syndicated floating rate loans and subordinated loan notes are repayable over a period of twelve years. The syndicated fixed rate loans are repayable over a period of eight to twelve years.

	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Fixed rate bond	1,184,386	106,010	113,321	453,284	511,771
Syndicate fixed rate loans	1,162,352	-	110,625	430,245	621,482
Syndicate floating rate loans	52,500	52,500	-	-	-
Subordinate loan notes	147,240	13,179	14,088	56,351	63,622
	<u>2,546,478</u>	<u>171,689</u>	<u>238,034</u>	<u>939,880</u>	<u>1,196,875</u>

**12. Hire purchase creditors**

	Group		Company	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Hire purchase creditors	7,998	1,976	574	602
Less: Interest in suspense	(3,299)	(544)	(149)	(166)
	<u>4,699</u>	<u>1,432</u>	<u>425</u>	<u>436</u>
Amount payable less than 1 year	718	446	116	94
Amount payable between 1 and 5 years	3,981	986	309	342
	<u>4,699</u>	<u>1,432</u>	<u>425</u>	<u>436</u>

**13. Deferred expenditure**

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Pre-operating expenses</b>		
Cost		
At 1 September	35,427	35,209
Addition during the year	-	1,176
Written off	(2,001)	(946)
Disposal of a subsidiary company	-	(12)
	<hr/>	<hr/>
At 31 August	33,426	35,427
	<hr/>	<hr/>
<b>Accumulated amortisation</b>		
At 1 September	10,438	6,872
Amortisation during the year	3,566	3,566
Prior year adjustment	19,422	-
	<hr/>	<hr/>
At 31 August	33,426	10,438
	<hr/>	<hr/>
	-	24,989
	<hr/>	<hr/>
<b>C-Inspection costs</b>		
Balance at 1 September	74,032	30,789
Addition during the year	42,542	58,470
Amortisation during the year	(37,666)	(15,227)
	<hr/>	<hr/>
	78,908	74,032
	<hr/>	<hr/>
	78,908	99,021
	<hr/>	<hr/>
<b>Included in pre-operating expenses incurred during the year are:</b>		
Auditors' remuneration	-	1
Depreciation	-	67
Rental of office	-	106
	<hr/>	<hr/>

## 14. Share capital

	Group and Company	
	2000	1999
	RM'000	RM'000
Ordinary shares of RM1 each:		
Authorised:	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
At beginning of the year	273,007	272,330
Issued and paid during the year	3,710	677
	<u>276,717</u>	<u>273,007</u>
At end of the year		

At the end of the financial year, options to subscribe for 14,731,000 (1999 - 8,209,000) ordinary shares of RM1 each granted under the Employees' Share Option Scheme at an option price between RM3.21 to RM12.40 per share (1999 - RM3.21 to RM12.40) remain unexercised. Options granted may be exercised on any working day from the date of the offer up to 5.00 p.m. on 6 March 2001, the expiry date of the scheme.

## 15. Operating profit

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Operating profit before taxation is arrived at after charging:-				
Amortisation of goodwill	8,748	8,748	-	-
Amortisation of C-inspection costs	37,666	15,227	-	-
Amortisation of pre-operating expenses	3,566	3,566	-	-
Amortisation of refinancing expenses	2,329	2,330	-	-
Auditors' remuneration	135	125	35	35
Bad debts written off	-	12,098	-	11,869
Depreciation (Note 3)	101,014	100,415	695	508
Pre-operating expenses written off	2,001	-	-	-
Directors' fees	201	38	201	38
Directors' remuneration	662	393	662	36
Fixed assets written down	-	10,873	-	-
Lease rental	93	62	-	3
Project development cost written off	-	946	-	-
Provision for diminution in value of unit trust				
- current year	907	-	-	-
- reversal of previous year's provision	(3,975)	-	-	-
Provision for doubtful debts	-	869	-	149
Rental of premises	911	1,137	402	505
Rental of equipment	1,060	866	-	-

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
And crediting:				
Premium receivable on redemption of redeemable preference shares	12,540	12,540	-	-
Dividend income from unit trust	7,245	2,405	2,569	805
Interest income - operating	2,503	9,585	51,517	71,774
Interest income from loan stocks	3,593	3,593	-	-
Lease income	-	376	-	376
Realised gain on disposal of quoted investment	9,660	-	9,660	-
Gain on disposal of fixed assets	34	401	25	7
Rental income	20	-	-	-
Dividend income from subsidiary companies	-	-	152,778	68,831
Gain on disposal of unit trust	1,125	-	925	-
	<u>12,540</u>	<u>12,540</u>	<u>152,778</u>	<u>68,831</u>

## 16. Employees information

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Staff costs	17,694	15,016	2,535	2,712
	<u>17,694</u>	<u>15,016</u>	<u>2,535</u>	<u>2,712</u>

The number of employees of the Group (excluding directors) at the end of the financial year was 250 (1999 - 214).

The number of employees of the Company (excluding directors) at the end of financial year was 38 (1999 - 35).

## 17. Net financing costs

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Interest payable				
Term loans	254,040	277,622	-	9,927
Bank overdrafts	-	4	-	4
Hire purchase	261	122	37	15
Related company interest	-	-	-	5,067
Discounted rate on bonds	6,492	6,492	-	-
	<u>260,793</u>	<u>284,240</u>	<u>37</u>	<u>15,013</u>
Less:				
Interest receivable	(24,102)	(28,408)	-	-
Fixed deposits	-	-	-	-
	<u>236,691</u>	<u>255,832</u>	<u>37</u>	<u>15,013</u>

**18. Tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax				
- Current year provision	75,321	8,945	55,796	10,408
- Underprovision in previous year	1,169	-	-	-
	<u>76,490</u>	<u>8,945</u>	<u>55,796</u>	<u>10,408</u>
Deferred tax expense				
- current	73,541	98,301	-	-
Share of associated company's current taxation	4,109	2,210	-	-
	<u>154,140</u>	<u>109,456</u>	<u>55,796</u>	<u>10,408</u>

The effective tax rate for the Company is lower than the statutory rate mainly due to the writebacks of provision for diminution in value of investments and tax exempt dividends received from subsidiary companies.

No income tax was provided for in the previous year on the business income (except for interest income) of the Company and of the Group due to the tax charge being waived pursuant to the Income Tax (Amendment) Act, 1999.

Subject to agreement with the Inland Revenue Board, the Company has tax waived income of approximately RM51,945,000 arising from tax exempt dividend received from subsidiary companies and income waived from income tax amounting to RM44,385,000 and RM7,560,000 respectively.

Subject to agreement with the Inland Revenue Board the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and from the tax exempt account to frank the payment of RM268,000,000 (1999 - RM96,000,000) of its distributable reserves at 31 August 2000 as dividends.

Subject to agreement with the Inland Revenue Board, details of the deferred taxation liabilities/(assets) calculated using the liability method are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other timing differences	<u>285,950</u>	<u>215,079</u>	<u>(5,468)</u>	<u>(8,226)</u>



## 19. Dividends

	Group and Company	
	2000	1999
	RM'000	RM'000
Proposed final dividend of 15 sen per share less tax at 28% (1999 - 10 sen per share tax exempt)	29,885	27,301

## 20. Earnings per share

Earnings per share are calculated based on the Group's profit after tax and minority interest of RM344,179,000 (1999 - RM373,131,000) and the Company's profit after tax of RM161,666,000 (1999 - RM97,324,000) on the weighted average number of shares in issue of 274,341,585 (1999 - 272,611,813) for the Group and 274,341,585 (1999 - 272,611,813) for the Company.

The fully diluted earnings per share of the Group is not presented as the dilution is not material compared to the basic earnings per share.

## 21. Capital commitments

Save as disclosed below, as at 31 August 2000, the Directors are not aware of any material commitments for capital expenditure incurred or known to be incurred by the Group and the Company which, upon becoming enforceable, may have a substantial impact on the profit or the net assets value of the Group and the Company:

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment Authorised but not contracted for	1,475,309	-	12,659	-
Contracted but not provided for in the financial statement	9,903	28,972	-	-
	<u>1,485,212</u>	<u>28,972</u>	<u>12,659</u>	<u>-</u>

## 22. Lease commitments

A summary of the non-cancellable operating lease commitments is as follows:-

	Group	
	2000	1999
	RM'000	RM'000
Amount payable less than 1 year	838	854
Amount payable between 1 and 5 years	404	1,383
	<u>1,242</u>	<u>2,237</u>

## 23. Significant related company/party transactions

	Group	
	2000	1999
	RM'000	RM'000
Related party transactions:-		
Project engineering fee receivable from wholly owned subsidiary companies of an affiliated company	-	2,824
Premium receivable on redemption of investment in redeemable preference shares from a wholly owned subsidiary company of an affiliated company	12,540	12,540
	<u>12,540</u>	<u>12,540</u>
Related Company transactions:-		
Interest income on subordinated loan notes received and receivable from a subsidiary	46,526	49,625
Interest income received from subsidiaries	3,039	14,201
Dividend income receivable from subsidiaries	152,778	68,831
Interest expense paid to subsidiaries	-	14,972
Project engineering fee received from a subsidiary	-	1,250
Management fee receivable from a subsidiary	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under negotiated terms.

## 24. Segmental information

Segment information is presented in respect of the Group's business segment.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

### *Business segments*

The Group comprises the following main business segments:

Plantation/Head Office	The plantation activities and the provision of management services.
Power	The design, construction and operation and maintenance of a combined cycle power plant and generation and sale of electricity; build, own and operate a district cooling plant and an electricity distribution system.
Project management	The provision of engineering, consultancy and project management services.
Land reclamation	The land reclamation, shore protection, dredging and associated works.

The table below sets out information for each of the Group's industry segments:-

	Turnover		Profit before taxation		Net assets employed	
	1999	1999	1999	1999	1999	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Plantation/Head Office	2,568	807	54,670	38,901	395,375	154,549
Power	1,470,628	1,391,615	476,917	466,831	4,059,252	4,014,021
Project management	-	-	-	-	(88)	3,255
Land reclamation	-	180,181	564	30,666	35,049	34,485
Others	-	-	-	-	-	2
	<u>1,473,196</u>	<u>1,572,603</u>	<u>532,151</u>	<u>536,398</u>	<u>4,489,588</u>	<u>4,206,312</u>
Goodwill on acquisition	-	-	-	-	153,856	162,604
Amortisation of goodwill	-	-	(8,748)	(8,748)	(8,748)	(8,748)
Share of results in associated company	-	-	20,755	19,135	20,755	19,135
Share of taxation in associated company	-	-	-	-	(4,109)	(2,210)
	<u>1,473,196</u>	<u>1,572,603</u>	<u>544,158</u>	<u>546,785</u>	<u>4,651,342</u>	<u>4,377,093</u>

## 25. Contingent liabilities

	Group		Company	
	2000	1999	2000	1999
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees	<u>18,869</u>	<u>-</u>	<u>979</u>	<u>-</u>

The corporate guarantees are issued to several third parties for guarantee of work performance by subsidiary companies.

## 26. Significant events during the financial year

- (a) The Company had on 28 June 2000 nominated Tuah Utama Sdn Bhd ("TUSB"), its wholly owned subsidiary to receive a dividend in specie of 10,014,300 RNCPS of RM0.01 each issued at a premium of RM0.99 in an associated company, Lekir Bulk Terminal Sdn. Bhd ("LBT").

The Company had on 28 June 2000 transferred its entire 29% equity interest in LBT comprising 290 ordinary shares of RM1.00 each ("LBT Shares") to TUSB. Subsequently, on 3 July 2000 TUSB subscribed to 13,599,710 LBT shares of RM0.01 each and 4,000,000 RCCPS of RM0.01 each issued at a premium of RM0.99 representing 20% of the enlarged issued and paid up capital of LBT.

- (b) The Company had on 28 July 2000 received the approval from the Economic Planning Unit of the Prime Ministers' Department ("EPU") to develop and operate a 430MW open cycle gas turbine power plant ("OCGT") adjacent to its existing Lumut Power Plant on a Build-Own-Operate basis ("Proposed Expansion").

Subsequently on 15 August 2000, the Company acquired the entire equity interest of GB3 Sdn Bhd ("GB3") as a special purpose company for a purchase consideration of RM2.00 to undertake the Proposed Expansion.

On 30 August 2000, the Company received an approval from the EPU to convert the OCGT into a combined cycle gas turbine power plant ("CCGT") after 12 months of open cycle operations.

- (c) The Company proposed the following corporate exercise:

- (i) The Company had on 28 July 2000 acquired the entire equity interest of Kapar Energy Ventures Sdn. Bhd. ("KEV") as a special purpose company for a purchase consideration of RM2.00 to undertake the proposed acquisition of the Kapar Power Station from Tenaga Nasional Berhad ("TNB").
- (ii) Subsequently, on 31 July 2000, the Board of Directors announced that KEV has entered into a conditional asset sale agreement with TNB for the proposed acquisition of the Kapar Power Station for a total purchase consideration of RM6,270 million ("Proposed Acquisition").
- (iii) The Company had on 22 August 2000 proposed a bonus issue of up to 582,442,668 ("Bonus Shares"), credited as fully paid up, on the basis of 2 Bonus Shares for every 1 existing ordinary share of the Company held ("Original Proposed Bonus Issue"), and increase in the authorised share capital of the Company RM500 million comprising 500 million ordinary shares of RM1.00 each amounted to RM2 billion comprising 2 billion ordinary shares of RM1.00 each of the Company.

## 27. Subsequent events

Subsequent to the financial year ended 31 August 2000:

- (a) The Company had on 10 October 2000 announced that in conjunction with the Proposed Acquisition, the Company proposed, inter alia, to part finance the Proposed Acquisition in the following manner:-
- (i) an issue of RM700,000,000 nominal value of redeemable unsecured serial bonds with tenures of 5 years, 6 years and 7 years, respectively; and
- (ii) a rights issue of up to 446,045,001 warrants at an issue price to be determined later on the basis of 3 warrants for every 2 existing Ordinary Shares held before the Proposed Bonus Issue.

The Board of Directors also proposed to increase the maximum number of Bonus Shares to be issued pursuant to the Original Proposed Bonus issue from 582,442,668 Bonus Shares up to 594,726,668 Bonus Shares to cater for the additional new MB Shares arising from the proposed options to be granted to eligible employees of the Company and its subsidiary companies under the Employees' Share Option Scheme ("ESOS") prior to the entitlement date for the Bonus Shares and Warrants. The basis of the Proposed Bonus Issue remains as 2 Bonus Shares for every 1 existing Share held.

All the terms and conditions of the Proposed Acquisition and Proposed Increase in Authorised Share Capital remain unchanged from the announcements dated 31 July 2000 and 22 August, respectively.

An application for the above proposal has been submitted to the Securities Commission ("SC") on 18 December 2000 and is pending approval from SC.

- (b) The Company had on 10 October 2000 granted a corporate guarantee to its subsidiary company GB3 for an amount not exceeding RM256.1 million in relation to the Engineering, Procurement and Construction ("EPC") Contract awarded to a Contractor for the development of the Proposed Expansion.
- (c) On 24 October 2000, the Company had announced that it proposed to extend the duration of the ESOS for an additional period of 5 years from 7 March 2001 up to and including 6 March 2006 and also proposed to make amendments to certain provisions of the existing bye-laws ("Proposed ESOS Extension and Amendment").

Subsequently on 28 November 2000, the Company submitted an application to the SC to seek approval for the Proposed ESOS Extension and Amendments and is pending approval from SC.

- (d) On 31 October 2000, MRCB completed the disposal of 62,007,778 ordinary shares of RM1.00 each representing approximately 22.34% equity interest of the Company to Malaysia Mining Corporation Berhad ("MMC"). With the completion of the said disposal, MMC has emerged as the single largest shareholder of the Company.
- (e) On 2 November 2000, Teknik Janakuasa Sdn Bhd ("TJSB"), a wholly owned subsidiary of the Company, received a payment from MR Enterprises Sdn Bhd ("MRE"), a wholly owned subsidiary of MRCB, for the redemption of the entire 104.5 million redeemable preference shares of RM1.00 each held by TJSB in MRE inclusive of premium on a prorated basis.
- (f) On 4 December 2000, the Company announced that it proposed to, inter alia, part finance the equity investment in GB3 for the Proposed Expansion via a 7 year Commercial papers and/or Medium Term Notes ("CP/MTN") Issuance Programme of RM420 million.

Subsequently on 12 December 2000, the Company submitted an application to the SC to seek approval for the issuance of the CP/MTN and is pending approval from SC.

- (g) On 19 December 2000, Natural Analysis Sdn Bhd ("NASB"), a wholly owned subsidiary of TJSB, undertaking the operations and maintenance ("O&M") of the 350MW CCGT power plant at Perai, Penang owned by SKS Ventures Sdn Bhd ("SKS"), entered into the following agreements:-
- (i) a conditional O&M agreement between NASB and SKS;
  - (ii) a conditional shareholders' agreement between TJSB, SKS and NASB whereby NASB's shareholding structure will be restructured to reflect SKS's participation of 49% whilst TJSB will hold the remaining 51%.
  - (iii) a conditional Long Term Service Agreement between NASB, GE Energy Parts Inc. and GE Power Systems (M) Sdn. Bhd. for the long term supply of services and parts for the gas turbine generation unit of the Perai Power Plant.

## **28. Prior year adjustment**

This represents the effect of pre-operating expenditure written off to the retained profit brought forward as explained in Note 1(o) to the financial statements.

## **29. Comparatives**

Following the adoption of MASB Standards in the preparation of this set of financial statements, the presentation and classification of certain items in the financial statements have been amended. Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current financial year.

**PROFORMA CONSOLIDATED BALANCE SHEETS OF MRCB AS AT 31 AUGUST 2000  
AND THE AUDITORS' LETTER THEREON**

**MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB")  
AND ITS SUBSIDIARIES ("MRCB GROUP")**

**PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2000**

The Proforma Consolidated Balance Sheet set out below is provided for illustrative purposes only, to show the effects on the audited consolidated balance sheet of MRCB Group as at 31 August 2000 had the disposal described in note 2 been effected as at that date, and should be read in conjunction with the notes accompanying thereto:

	Audited as at 31.8.2000 RM'000	Proforma balance sheet after the disposal RM'000
<b>NON CURRENT ASSETS</b>		
Fixed assets	353,004	353,004
Development properties	591,949	591,949
Expressway development expenditure	15,650	15,650
Investment in associated companies		
- Group's share of tangible assets	733,111	442,080
- Group's share of intangible assets	294,561	248,165
- Premium on acquisition	609,871	531,316
	1,637,543	1,221,561
Other investments	1,407	1,407
Project development expenditure	4,084	4,084
Goodwill on consolidation	31,763	31,763
	2,635,400	2,219,418
<b>CURRENT ASSETS</b>	865,558	865,558
<b>CURRENT LIABILITIES</b>		
Provision for liabilities and charges	(18,195)	(18,195)
Trade and other payables	(493,395)	(371,489)
Short term borrowings	(1,116,145)	(747,946)
Taxation	(31,289)	(31,289)
	(1,659,024)	(1,168,919)
<b>NET CURRENT LIABILITIES</b>	(793,466)	(303,361)
<b>NON CURRENT LIABILITIES</b>	(491,776)	(491,776)
	1,350,158	1,424,281
<b>SHARE CAPITAL RESERVES</b>	975,096 166,524	975,096 345,147
<b>SHAREHOLDERS' FUNDS MINORITY INTERESTS</b>	1,141,620 208,538	1,320,243 104,038
	1,350,158	1,424,281
<b>NET TANGIBLE ASSETS PER SHARE (sen)</b>	21.1	52.2

**MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB")  
AND ITS SUBSIDIARIES ("MRCB GROUP")**

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2000**

The proforma consolidated balance sheet of MRCB Group has been prepared solely for illustrative purposes on the following bases and assumptions:

- 1 The proforma consolidated balance sheet of MRCB Group has been prepared based on the audited consolidated balance sheet of MRCB Group as at 31 August 2000 and is based on accounting policies and bases consistent with those normally adopted by MRCB in the preparation of its audited accounts.
- 2 The proforma consolidated balance sheet has been prepared for illustrative purposes only to show the effects of the disposal by MRCB of its 22.7% equity interest in Malakoff Berhad for a total cash consideration of RM774.1 million ("disposal"), assuming that the disposal had been effected and fully completed on 31 August 2000.

(Note: The disposal was fully completed on 31 October 2000. Accordingly, the MRCB Group continued to equity account for its share of results in Malakoff Berhad up to the effective date of disposal which amounted to a profit after taxation of approximately RM9,511,000 which was derived based on Malakoff Berhad's management accounts for the two months period ended 31 October 2000. This amount is reflected in MRCB Group management results for the financial year ending 31 August 2001).

- 3 It is assumed that the total cash consideration of RM774.1 million received from the disposal is utilised to repay part of MRCB Group's short term borrowings, creditors and redemption of Redeemable Preference Shares in MR Enterprises Sdn. Bhd. subscribed by Teknik Janakuasa Sdn. Bhd.



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21 February 2001

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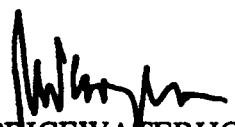
**MALAYSIAN RESOURCES CORPORATION BERHAD  
PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2000**


Dear Sirs,

We have reviewed the Proforma Consolidated Balance Sheet of Malaysian Resources Corporation Berhad ("MRCB") and its subsidiaries ("MRCB Group") as at 31 August 2000, together with the notes thereto as set out in the attached Appendix, for which the Directors of MRCB are solely responsible. The Proforma Consolidated Balance Sheet has been prepared for inclusion in the Information Circular to Shareholders to be dated 27 February 2001, in connection with the disposal by MRCB of its 22.7% equity interest in Malakoff Berhad for a total cash consideration of RM774.1 million.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheet of MRCB Group as at 31 August 2000, which is provided for illustrative purposes only, has been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheet.

Yours faithfully,

  
PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Public Accountants

  
GUMURI BIN HUSSAIN  
(No. 892/4/02 (J))  
Partner of the firm

**FURTHER INFORMATION**

**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board of Directors of MRCB and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement herein misleading.

The information relating to Malakoff and MMC was obtained and based on the information provided by the management of Malakoff and MMC. Accordingly, the responsibility of the Directors of MRCB on the information provided is restricted to the accurate reproduction of the relevant information provided.

**2. MATERIAL LITIGATION**

**(a) MRCB**

Save as disclosed below, neither MRCB nor its subsidiary companies are engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge or any proceedings pending or threatened against the MRCB Group or of any facts likely to give rise to any proceedings which might materially affect the position or business of the MRCB Group:-

- (i) Based on a Writ of Summons dated 9 August 1999, Gas Malaysia Sdn Bhd (“GMSB”) vs MRCB Ceramics Sdn Bhd (“MRCB Ceramics”) under the Kuala Lumpur High Court (Commercial Division) Suit No. D1-22-2219-99, GMSB agreed to supply and MRCB agreed to take supply of natural gas to MRCB Ceramics’ factory. MRCB Ceramics had failed to take supply of the gas and GMSB claimed reimburseable cost of construction and delivery of gas facilities amounting to RM943,056.03 or in the alternative quantum meruit damages to recover expenses spent in preparation of the gas supply.

In its defence, MRCB Ceramics maintained that there has been a delay of 15 months in the delivery of gas supply by GMSB. MRCB Ceramics counter claimed a total of RM680,000 being the additional cost incurred by using alternative material and construction costs for service stations and piping works done by MRCB Ceramics.

MRCB have obtained an order for Rejoinder to GMSB’s Reply to Defence and Defence to Counterclaim. No trial date has been fixed yet. The Directors of the Company are of the opinion that the Company has a good defence to the claim and merit in filing its counter-claim.

- (ii) MRCB had on 12 October 2000 filed a writ of summon against ST Industrial Clay Sdn Bhd “(SIC”) and its directors, (namely Mohd Razi Bin Shahadak and Mohamad @ Mohd Zuhdi Bin Muda) (as vendors) for the recovery of a total sum of RM6,673,140.00 consisting of :

- (a) RM6,500,000.00 being the amount paid to the directors (as vendors) for the purchase of the right to subscribe to a rights issue of 6,000,000 ordinary shares in SIC under the terms of a Shareholders Agreement dated 4 April 1997; and
- (b) RM173,140,000 being the amount paid to SIC as an advance in respect of a mining lease.

The summons was duly served on the defendants’ solicitors on 4 December 2000.

The Directors of the Company are of the opinion that it has a reasonably good chance and merit in its claim.

- (iii) MRCB and Mohd Zamri Mohd Yusof (“Mohd Zamri”) have been served with a Writ on 7 August 2000 by Lee Chee Thing (“Plaintiff”) in respect of a civil suit filed in the Shah Alam High Court Suit No. MT4-22-42-00. The suit is based on defamation action whereby Plaintiff is claiming for damages amounting to RM2,000,000.00 for libel, aggravated damages and costs. The defence and counter-claim has been filed in the Shah Alam High Court and served on the Plaintiff on 3 October 2000 and Reply to the Counterclaim was filed on 1 November 2001 and served by the Plaintiff on MRCB on 2 November 2000. The Summons for Directions has been filed on 5 December 2000. The Plaintiff is required to file Notice 63 under the Rules of the High Court 1980 within a specified period (which has expired) but MRCB and/or its solicitors have not been served with a copy of the same. If the Notice is not filed within the specified period, the court is entitled to issue a show-cause letter why the court should not strike out the Plaintiff’s claim.

The Directors of the Company are of the opinion that the Company has a reasonably good defence against the claim.

- (iv) A petition to wind up Zafran Holdings Sdn Bhd (“ZHSB”) was filed by RHB Bank Berhad (“RHB”) on 11 July 2000. MRCB subsequently filed a Notice of Intention to Appear and Support the petition on 15 September 2000. Hearing of the winding-up petition is now fixed on 2 March 2001.

The petition to wind-up ZHSB was filed by RHB. MRCB is not proceeding with a separate action against ZHSB but merely filed a notice to support the petition presented by RHB. Based on the above, the Directors of the Company are not in a position to give an opinion on the petition filed by RHB.

- (iv) A summon was issued by Gasbina Construction Engineering Sdn Bhd (“GCE”) against Zelleco Engineering Sdn Bhd (“ZESB”) on 16 November 1995 as a result of the termination of a Subcontract Agreement between GCE and ZESB for CW Pipe Project in Lumut. GCE is suing ZESB for RM564,798.00 being the amount claimed for work done under the said project and for general loss of profits and damages. ZESB had filed a defence and counterclaim for an amount of RM100,646.96 on 28 February 1996. The case will be heard in court on 21 and 22 June 2001.

The Directors of the Company are of the opinion that ZESB has a reasonably good defence against the claim and merit in filing the counter-claim.

- (v) On 19 January 1993, Mafira Holdings Sdn Bhd (“MHSB”) obtained an order against, inter alia, Gopeng Berhad (“GB”) restraining GB from acquiring the shares in Zen Concrete Industries Sdn Bhd from Perak State Development Corporation pending settlement of all disputes by arbitration. On 13 March 1993, the arbitrators dismissed MHSB’s claim in the arbitration proceeding and GB subsequently filed a court application to claim damages in the amount of RM996,953.71 together with interest and costs as a result of the injunction order obtained by MHSB above. The application has been fixed for hearing on 9 April 2001.

The Directors of the Company are of the opinion that MHSB has a reasonable chance of defending the above-mentioned claim.

- (vi) Malaysian Resources Development Sdn Bhd (formerly known as Teras Cemara Sdn Bhd) (“MRSB”) had filed a writ of summons on 20 May 2000 against Organizational Resources Sdn Bhd (“ORSB”) for the recovery of rental income owing by ORSB to MRSB arising from the tenancy of a premise for a duration of twenty months with all interest and expenses accrued amounting to approximately RM863,320. On 19 July 2000, the court ordered that the case be transferred to the Kuala Lumpur Session Court.

The Directors of the Company are of the opinion that MRSB has a reasonably good prospect for recovery in filing the writ of summons.

- (vii) A writ of summons was filed in the Kuala Lumpur High Court vide Civil Suit No. D7-22-1600-00 by the plaintiffs Hee Choi, Khoo Chee Meng and Khoo Chee Keong against MRCB claiming inter alia for specific performance of a Sale and Purchase Agreement dated 21 December 1998 in which MRCB has agreed to purchase 1,440,000 of the Plaintiffs’ shares in Region Resources Sdn Bhd at the purchase price of RM1,656,000. Memorandum of Appearance was filed on 10 January 2001.

The Directors of the Company are of the opinion that there are reasonable grounds to file the defence to the claim and in this respect, the Defence to the Statement of Claim was filed on 7 February 2001.

**(b) Malakoff**

Neither Malakoff or its subsidiary companies are involved in any material litigation either as plaintiff or defendant and as at the date of this Circular, the Directors do not have any knowledge of any proceedings pending or threatened against Malakoff or of any facts likely to give rise to any proceedings which might materially affect the position or business of Malakoff and its subsidiary companies.

**3. MATERIAL CONTRACTS**

**i) MRCB**

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by MRCB or its subsidiaries within the two years immediately preceding the date of this Circular:-

- a) A Heads of Agreement dated 12 February 1999 between MRCB and Gymtech Development Sdn Bhd for the construction of 172 units of bungalows and 724 condominium units of phase 2 of the 'A' Famosa Project' in Melaka;
- b) A Joint Venture Agreement dated 1 April 1999 between MRCB and 17 consortium members for the design, development and implementation of the Human Resources Management Information System (HRMIS) contract awarded by the Government of Malaysia to MRCB Multimedia Consortium Sdn Bhd;
- c) A Conditional Agreement dated 22 October 1999 between MRCB and its subsidiary, MRCB Engineering Sdn Bhd ("MESB"), and Sime Darby Berhad ("SDB") and Tenaga Nasional Berhad ("TNB") for the disposal by MRCB and MESB of their 30% interest and approximately 49.99% equity interest in Port Dickson Power Berhad and JanaUrus PDP Sdn Bhd respectively for a total cash consideration of RM204 million;
- d) A Supplementary Agreement dated 11 November 1999 between MRCB and its subsidiary, MESB, and SDB and TNB in relation to the conditional agreement dated 22 October 1999 for the proposed disposal by MRCB and MESB of their 30% interest and approximately 49.99% equity interest in PDP and JanaUrus respectively for a total cash consideration of RM204 million;
- e) Memorandum of Understanding dated 24 January 2000 ("MOU") between MRCB Property Development Sdn Bhd (formerly known as Slim Indah Sdn Bhd) ("MPD"), a subsidiary of Malaysian Resources Development Sdn Bhd (formerly known as Teras Cemara Sdn Bhd), a subsidiary of MRCB and Rich Focus Sdn Bhd ("RFC") for the proposed acquisition of KGN-RFC Development Sdn Bhd ("KGN-RFC"). MOU was followed up with a Sale and Purchase Agreement dated 5 October 2000 between MPD and RFC for the acquisition of 90% equity interest in KGN-RFC for a cash consideration of RM7.5 million by MPD;

- f) Letter of award from the Economic Planning Unit of the Prime Ministers's Department of the Government of Malaysia ("EPU") dated 21 January 2000 to a consortium comprising MRCB, KDEB and TNB to carry out design, engineering, construction, startup, commissioning, testing and operation of a power plant in Sepang (the "Sepang Project"). Subsequently modified by a letter dated 28 June 2000 by the EPU;
- g) A Share Sale Agreement dated 31 January 2000 between MRCB and RBSB for the disposal by MRCB of its 22.7% equity interest in Malakoff for a cash consideration of approximately RM744 million which has since been novated to MMC under the Novation and Amendment Agreement dated 29 July 2000;
- h) Memorandum of Understanding dated 26 May 2000 ("MOU") between Suedy Suwendy, Suwendy, Iskandar Kadry Bin Abdul Kadir, Dewi Suwendy, Adil, Rosaini bt Haji Abdul Latif, Saw Kheng Hoe (the "Vendors") and MPD for the proposed acquisition of Taman Ratu Sdn. Bhd. for the purchase price of up to RM30 million subject to due diligence  
  
Share Sale Agreement dated 2 January 2001 between MPD from the following vendors - Suedy Suwendy, Suwendy, Iskandar Kadry Bin Abdul Kadir, Dewi Suwendy, Adil, Rosaini Bt. Haji Abdul Latif and Saw Kheng Hoe for the acquisition of 24,000,006 ordinary shares of RM1.00 each in Taman Ratu Sdn Bhd for a cash consideration of RM15.417 million;
- i) A Joint Venture Agreement dated 27 May 2000 between MPD and Yayasan Dewan Perniagaan Melayu Pulau Pinang to develop an Educational Park in Penang;
- j) Reservation Agreement dated 9 June 2000 between MRCB and Siemens Aktiengesellschaft ("Siemens AG") with respect to the intent of MRCB and Siemens to negotiate an EPC contract for the Sepang Project. MRCB subsequently, deposited a reservation fee of EURO5,000,000 for the reservation of two (2) gas turbine generators;
- k) Sale and Purchase Agreement dated 29 June 2000 between BP Plantation Sdn Bhd and Cahaya Mutiara Properties Sdn Bhd, a subsidiary of MPD for the purchase of 314 acres of land in Bandar Bertam Perdana for RM61,216,187.87 to be developed known as Abdullah Fahim Education Park;
- l) A Novation and Amendment Agreement dated 29 July 2000 ("NAA") between MRCB, RBSB. and MMC for the release and discharge of all of RBSB's obligations under the Share Sale Agreement entered into between MRCB and RBSB. on 31 January 2000 ("SSA") to MMC and to release and discharge RBSB from the SSA and a Memorandum of Deposit with RBSB on even date;
- m) A Development Agreement dated 9 August 2000 between MRCB Utama Sdn Bhd ("MUSB") (formerly known as Kajang Utama Sdn Bhd) a wholly owned subsidiary of MRCB and Majlis Agama Islam Melaka ("MAIM"), and Delima Teguh Sdn Bhd ("DTSB") for the proposed development of 74 acres of land located on 2909, 2266 Mukim Serkam and Lot 738 Mukim Tedong, Daerah Jasin, Melaka to be known as Taman Seri Serkam. The development fee payable under the agreement is RM8.5 million of which RM6 million is payable to MAIM and RM2.5 million to DTSB;

- n) A Share Sale Agreement dated 21 August 2000 between MRCB and Bank Industri Teknologi Malaysia Berhad to acquire 5,100,000 ordinary shares of RM1.00 each or 59.6% equity interest in Sibexlink Sdn Bhd for cash consideration of RM6,630,000 ;
- o) Settlement Agreement dated 30 August 2000 between MUSB and AMI Insurans Berhad (“AMI”) a wholly owned subsidiary of MRCB’s associate company The New Straits Times Press (Malaysia) Berhad. MRCB owed. MUSB has agreed to settle the outstanding amount of RM500,274.65 for insurance premium on behalf of MRCB whereby MUSB will dispose to AMI one unit of its 4 storey shop office, Unit 25, Phase 4A held under HS (D) 49750 PT 35608, Mukim Kajang for the amount of RM499,704.80 and the balance in cash.
- p) A Product/Services Exchange Agreement dated 30 August 2000 between MUSB) with Sistem Televisyen Malaysia Berhad (“STMB”) and Foote, Cone & Beldings Sdn Bhd (“FCB”). FCB provided advertising services to MUSB and as at 1 July 2000, MUSB owed FCB an amount of RM585,217.47. STMB has agreed to settle the outstanding amount on behalf of MUSB by providing such duration of airtime worth the same value as the amount owed by MUSB to FCB. In exchange, STMB will acquire from MUSB a 4 storey shop lot and one unit of apartment in Kajang Utama, Selangor for RM585,217.47;
- q) Engineering, Procurement and Construction Contract (“EPC”) dated 6 October 2000 entered into between Sepang Power Sdn Bhd (“SPSB”), Siemens AG and Siemens Power Generation Asia Pacific Sdn Bhd for the design, engineering, procurement, supply, installation, construction, commissioning, startup and testing of a nominal gas-fired 712MW combined cycle power project (the “Plant”) located in Kuala Langat, Selangor. The EPC is on a date-certain, fixed-price, lump sum, turnkey basis for a price of RM300,960,000 and EUR286,000,000.
- r) Shareholders Agreement dated 25 October 2000 whereby SPSB is to be owned by MRCB (70%) and KDEB (30%) respectively to develop the Sepang Project. The agreement also contains pre-emption rights, board and general meetings, shares and financial matters.
- s) Sale and Purchase of Land Agreement between SPSB and Kumpulan Perangsang Selangor Sdn Bhd (“KPSB”) for purchase of land for the site of the plant (“Site”) from KPSB to SPSB for a purchase consideration of RM29,160,000. The Site measures approximately 243 acres and is located in Mukim of Tanjong Duablas, District of Kuala Langat, State of Selangor Darul Ehsan;
- t) Memorandum of Agreement dated 4 November 2000 between MRCB and ACCA Sdn Bhd (“ACCA”) in relation to the setting up of an ACCA Small-Medium Industries (“SMEs”) portal containing comprehensive products information on the SMEs.
- u) A Bridging Loan Agreement dated 7 November 2000 between SPSB and Bank Pembangunan dan Infrastruktur Malaysia Berhad for a Bridging facility of up to RM200,000,000 for the Sepang Project;

- v) A Share Sale Agreement dated 15 November 2000 between Webvision Inc and MRCB for MRCB to acquire 202,500 ordinary shares of RM1.00 each or 81% equity interest in Webvision Sdn Bhd for a total consideration sum of RM202,500.00;
- x) A Shareholder Agreement dated 15 November 2000 between Webvision Inc. and MRCB wherein subject to the completion of the aforesaid Share Sale Agreement, the parties have agreed with each other that their relationship inter se as shareholders of Webvision Sdn Bhd be regulated in accordance with the stipulations, terms and conditions provided therein;
- y) A Webvision Agency License Agreement dated 15 November 2000 where consideration of Webvision Inc granting MRCB the exclusive right to distribute, sell or license the program and establish an unlimited quantity of Webvision Powered IDC in the territory, MRCB will pay Webvision Inc such Territory Agency Fees an annual minimum sum of USD\$2.5 million for a 5 year period together with 5% Net Revenue of Sales, Annual purchase and resale of license volume of least USD\$1.0 million of Webvision products and services;
- z) Letter of Offer dated 9 December 2000 from Southern Bank Berhad and accepted by MRCB in relation to a new revolving credit facility of RM50 million to be secured against a standby letter of credit from Keppel Tat Lee Bank Limited (“KTB”);
- aa) Joint-Venture Agreement dated 18 December 2000 entered between MRCB, Amstek Corporation Sdn Bhd (“Amstek”) and Dewan Technologies Sdn Bhd (“Dewan”) (“JVA”) for the purpose of developing and implementing a portal website to be known as “Halal.Com” which will provide online services, consultancy and solutions to halal products. Pursuant to the JVA, Ikhwan Asia Sdn Bhd (“IASB”) had been identified as the vehicle company to implement the project. Accordingly MRCB will subscribe to 1,600,000 ordinary shares of RM1.00 represent 80% equity interest in IASB. Amstek and Dewan shall respectively subscribe for 200,000 ordinary shares of RM1.00 each representing 10% equity interest in IASB;
- bb) Letter of Offer dated 2 January 2001 from Public Bank Berhad and accepted by MRCB in relation to a revolving credit facility of RM120 million to be secured against a standby letter of credit from Bayerische Landesbank Girozentrale, Labuan Branch (“BLG”);
- cc) A Facilities Agreement dated 8 January 2001 between MRCB and BLG, Bumiputera Commerce Bank Berhad (“BCB”) and KTB in relation to banking facilities to the maximum aggregate principal limit of RM320 million granted to MRCB comprising of a standby letter of credit facility of RM120 million by BLG, a term loan facility of RM150 million by BCB and a standby letter of credit facility of RM50 million by KTB;
- dd) A Facilities Agreement dated 10 January 2001 between MRCB and EON Bank Berhad (“EON Bank”) in relation to a revolving credit facility to the maximum aggregate principal limit of RM25 million granted to MRCB;



- ee) A Facilities Agreement dated 10 January 2001 between MRCB and Bumiputera-Commerce Bank (L) Limited (“BCL”) in relation to a standby letter of credit/bank guarantee facility to the maximum aggregate principal limit of RM70 million granted to MRCB;
- ff) Asset Sale Agreement and Asset Purchase Agreement, both dated 10 January 2001 between MRCB and Bank Kerjasama Rakyat Malaysia Berhad (“BKRB”) in relation to Al-Tarkhis Facility of up to the sum of RM50 million made available to MRCB under the Islamic concept of “Bai Al-Inah”;
- gg) Memorandum of Charge dated 10 January 2001 entered into MRCB and BLG as security agent for BLG, BCB, KTB, EON Bank, BCL and BKRB (collectively “the Banks”) with respect to a charge by MRCB over among other things, certain shares or securities owned by MRCB and acceptable to the Banks in favour of BLG for the benefit of the Banks to secure the repayment and payment by MRCB to the Banks of all moneys owing and or payable under the Facilities Agreements referred to in paragraphs (cc), (dd), (ee) and (ff) above;
- hh) Security Sharing Agreement dated 10 January 2001 between MRCB and the Banks and BLG as security agent regarding the appointment of BLG as security agent and the sharing of securities under the Memorandum of Charge referred to in paragraph (gg) above;
- ii) Asset Sale Agreement and Asset Purchase Agreement, both dated 10 January 2001 between MRCB and Bank Islam Malaysia Berhad in relation to Al-Bai-Bithaman Ajil Facility for an amount of RM50 million made available to MRCB under the Islamic concept of “Bai Al-Inah”;jj)Letter of offer dated 11 January 2001 from Bumiputra-Commerce Bank Berhad and accepted by MRCB in relation to a term loan facility of RM70 million to be secured against a standby letter of credit from BCL.

**ii) Malakoff**

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Malakoff or its subsidiaries within the two years immediately preceding the date of this Circular:-

- a) Memorandum of Understanding on Power Development dated 30 July 1999 between Malakoff and PT PLN Pembangkitan Tenaga Listrik Jawa-Bali II (“PJB-II), whereby both parties have agreed to jointly explore the possibility of undertaking business ventures with respect to electricity generation , co-generation and distribution on the island of Batam, Indonesia;
- b) Services Agency Agreement dated 7 October 1999 between Malakoff and Almana Trading Company (“Almana”) whereby Almana is appointed by Malakoff to assist Malakoff in securing contracts for the operation and maintenance of power and water desalination plants in the state of Qatar;

- c) Ten Sale and Purchase Agreement between Malakoff and Kuala Lumpur Sentral Sdn Bhd dated 3 December 1999 for the purchase of parcel number of land comprising, parcels no. CS/3B/12-3, CS/3B/12-3A, CS/3B/12-5, CS/3B/12-6, CS/3B/12-7, CS/3B/13-3, CS/3B/13-3A, CS/3B/13-5, CS/3B/13-6 and CS/3B/13-7 all of which are located at Levels 12 and 13, Block No.3B, Sentral Plaza, Brickfields, Kuala Lumpur for a total cash consideration of RM10,025,213;
- d) A Heads of Agreement dated 19 April 2000 between Malakoff, National Power PLC (“MBNP Consortium”) and Tenaga Nasional Berhad (“TNB”) under which a refundable earnest money of RM30 million was paid by MBNP Consortium to TNB as a commitment by the MBNP Consortium to TNB of its intention to purchase a 40% equity interest in the Kapar Power Station. This Heads of Agreement has been superseded by an Asset Sale Agreement dated 31 July 2000 as described in item (f) below;
- e) Memorandum of Understanding dated 26 June 2000 between Malakoff and HeiTech Padu Berhad (“MoU”) whereby the parties have agreed to explore the possibility of participating in a joint venture to undertake and manage a vertical “business-to-business” electronic procurement portal through a joint venture company to be incorporated in Malaysia. This MoU has lapsed on 25 September 2000 according to the provisions of the MoU;
- f) Asset Sale Agreement dated 31 July 2000 between Kapar Energy Ventures Sdn Bhd (“KEV”) and TNB for the acquisition of the 2,420 megawatt (“MW”) coal, oil and gas fired power station located at Kapar, in the State of Selangor Darul Ehsan, known as Stesen Janaelektrik Sultan Salahuddin Abdul Aziz, together with, inter alia, its machinery and all ancillary equipment, inventory, moveable assets, fuel, building, structures, fittings and all fixtures thereon but excluding the land on which the Kapar Power Station is sited as well as intellectual property rights, rights under various contracts, relevant documentation and other works for a total consideration of RM6,270 million of which RM4,000 million will be deferred and payable within 3 years from the date of completion. The balance will be satisfied by cash, ordinary share of RM1.00 each in KEV (“KEV Shares”) and unutilised securities other than KEV Shares;
- g) Lease Agreement dated 31 July 2000 between KEV and TNB for the lease of the land held under PT 13310, HS(D) 27997 Mukim Kapar, Daerah Klang (“the Land”) by TNB to KEV for a period of 25 years for an annual rental of RM102,190;
- h) Engineering, Procurement and Construction Contract dated 10 October 2000 entered into between GB3 Sdn Bhd (“GB3”) and ALSTOM Power Asia Pacific Sdn Bhd (“ALSTOM”) wherein ALSTOM will be responsible for the complete design, engineering, procurement, construction and commissioning of the 650.1 megawatt natural gas fired combined cycle power plant on a turnkey basis at Segari, Perak; and

- i) Supplemental Engineering, Procurement and Construction Contract dated 2 November 2000 entered into between GB3 and ALSTOM which provided for the originals of the bonds under the EPC Contract to be returned within 10 days of their expiry and discharge letter to be issued to the bank providing the performance bond on behalf of ALSTOM and GB3 to be entitled to hold the original of the bond or guarantee in the event that there is no replacement bond as required under the EPC Contract.

#### **4. LETTERS OF CONSENT**

The written consents of PAMB and Messrs. PricewaterhouseCoopers to the inclusion in this Circular of their names and/or letter in the form and context in which they appear have been given and have not been subsequently withdrawn before the issue of this Circular.

#### **5. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during the normal office hours (except public holidays) at the Registered Office of the Company at Aras 10, Menara MRCB, No 2, Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan from the date of this Circular up to six (6) weeks from the date of this Circular.

- a) Memorandum and Articles of Association of MRCB and Malakoff;
- b) Audited accounts of MRCB Group for the past five (5) years ended 31 August 2000 and the unaudited results for the 3 months period ended 30 November 2000;
- c) Audited accounts of Malakoff Group for the past five (5) years ended 31 August 2000 and the unaudited results for the 3 months period ended 30 November 2000;
- d) The proforma consolidated balance sheets of MRCB as at 31 August 2000 and the auditors' letter thereon as referred to in Appendix II of this Circular;
- e) The cause papers in relation to the material litigation as referred to in paragraph 2 above;
- f) The material contracts as referred to in paragraph 3 above; and
- g) The letters of consent as referred to in paragraph 4 above.