

Notes to the interim financial statements

1. Basis of preparation

The consolidated condensed interim financial information for the 3 months ended 31 March 2011 has been prepared in accordance with FRS 134 "Interim financial reporting" and Appendix 9B (Part A) of the Listing Requirements of Bursa Malaysia. The consolidated condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with the Financial Reporting Standards, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965.

2. Changes in Accounting Policies

The significant accounting policies, method of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2010 except for the adoption of the following new and revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Int.") effective for the financial period beginning on 1 January 2011:

FRS 1	First-time Adoption of Financial Reporting Standards (amendment)
FRS 3	Business Combinations (revised)
FRS 7	Financial Instruments: Disclosures (amendment)
FRS 127	Consolidated and Separate Financial Statements (revised)
FRS 132	Financial Instruments: Presentation (amendment)
IC Int.4	Determining Whether an Arrangement contains a Lease
IC Int.9	Reassessment of Embedded Derivatives

IC Int.12 Service Concession Arrangements

IC Int.18 Transfers of Assets from Customers

The adoptions of the above FRSs do not have significant financial impact to the Group.

3. Audit qualification

The report of the auditors on the Group's financial statements for the year ended 31 December 2010 was not subject to any qualification.

4. Seasonal or cyclical factors

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

5. Unusual items

There was no unusual item affecting assets, liabilities, equity, net income or cash flows during the current quarter because of their nature, size and incidence.

6. Changes in estimates

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

7. Debt and equity securities

There was no material issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter ended 31 March 2011.

8. Dividend paid

There was no dividend paid during the quarter ended 31 March 2011.

9. Segment Reporting

The Group's segmental report for the three-month financial period ended 31 March 2011 is as follows:

	<u>Transport & Logistics</u> RM mil	<u>Energy & Utilities</u> RM mil	<u>Engineering & Construction</u> RM mil	<u>Corporate & Others</u> RM mil	<u>Total</u> RM mil
<u>Revenue</u>					
Total	341	1,885	10	1	2,237
Inter-segment	(8)	-	(1)	-	(9)
External	333	1,885	9	1	2,228
<u>Results</u>					
Profit / (Loss) before taxation	68	302	(25)	(60)	285
Finance cost	37	260	-	44	341
Depreciation and amortisation	68	226	-	1	295
Earnings Before Interest, Tax, Depreciation and Amortisation	173	788	(25)	(15)	921

The Group's segmental report for the corresponding three-month financial period ended 31 March 2010 is as follows:

	<u>Transport & Logistics</u> RM mil	<u>Energy & Utilities</u> RM mil	<u>Engineering & Construction</u> RM mil	<u>Corporate & Others</u> RM mil	<u>Total</u> RM mil
<u>Revenue</u>					
Total	307	1,768	19	-	2,094
Inter-segment	(1)	(6)	(19)	-	(26)
External	306	1,762	-	-	2,068
<u>Results</u>					
Profit / (Loss) before taxation	49	218	(31)	(27)	209
Finance cost	34	278	-	35	347
Depreciation and amortisation	64	241	-	1	306
Earnings Before Interest, Tax, Depreciation and Amortisation	147	737	(31)	9	862

10. Property, plant and equipment

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

11. Events subsequent to the balance sheet date

There was no material event subsequent to the end of current quarter except for the cessation of Recycle Energy Sdn Bhd ("RESB") as MMC Corporation Berhad ("MMC") 77.23% owned subsidiary effective from 24 May 2011. On the same date, an announcement was made to Bursa Malaysia in relation to this matter.

12. Changes in composition of the Group

There was no change in the composition of the Group during the current quarter.

13. Changes in contingent liabilities or contingent assets

There was no change in contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 December 2010 except for the following bank guarantees issued to third parties:

	31.03.11	31.12.10
	RM million	RM million
Subsidiaries	410.9	406.8
	<u>410.9</u>	<u>406.8</u>

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

14. Capital commitments

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

	31.03.11
	RM million
Property, plant and equipment:	
Authorised and contracted for	323.1
Authorised but not contracted for	269.1
	<u>592.2</u>

Additional information required by the Bursa Securities Listing Requirements

15. Review of performance

The Group's profit before zakat and taxation for the three-months financial period ended 31 March 2011 of RM285.2 million was higher by RM76.3 million compared to the corresponding financial period ended 31 March 2010.

Higher profit recorded from **Energy & Utilities division** by RM85.1 million or 39.1% due to higher volume of gas sold, lower other operating expenses, improved associates performance and lower finance cost following repayment of loan during the period.

Higher profit recorded from **Transport & Logistics division** by RM19.2 million or 39.3% mainly driven by the increase in throughput volume.

Lower contribution from **Corporate & Others division** by RM33.5 million or 124.8% was due to no gain on disposal of investment recorded as in the corresponding financial period.

16. Variation of results against preceding quarter

The Group recorded a profit before zakat and taxation of RM285.2 million in the current quarter as compared to RM121.9 million in the preceding quarter. This was mainly due to higher contribution from the energy and utilities division resulted from the absence of provision for impairment loss on intangible assets of an associate.

17. Current prospects

The Board expects the Group's financial results for the current financial year ending 31 December 2011 to be better than those achieved in the last financial year ended 31 December 2010 in line with the improvement in our Group businesses.

18. Profit forecast or profit guarantee

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

19. Tax expense

	3 months quarter ended 31.3.11	3 months quarter ended 31.3.10	Cumulative 3 months ended 31.3.11	Cumulative 3 months ended 31.3.10
	RM mil	RM mil	RM mil	RM mil
Current tax expense				
- current	(79)	(77)	(79)	(77)
- prior year	(2)	-	(2)	-
Deferred tax expense				
- current	(25)	(5)	(25)	(5)
- prior year	-	-	-	-
	<u>(106)</u>	<u>(82)</u>	<u>(106)</u>	<u>(82)</u>

The Group's effective tax rate for the three-months financial period is higher than the statutory income tax rate in Malaysia, mainly due to higher interest restriction as an effect of single tier tax system implication.

20. Unquoted investments and landed properties

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

21. Quoted investments

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

b) Investments in quoted shares as at 31 March 2011:

	At Cost RM mil	At Carrying Value RM mil	At Market Value RM mil
	<u>RM mil</u>	<u>RM mil</u>	<u>RM mil</u>
Quoted in Malaysia	16	86	86
Quoted outside Malaysia	<u>13</u>	<u>8</u>	<u>8</u>
Total quoted investments	<u>29</u>	<u>94</u>	<u>94</u>

22. Status of corporate proposals announced

There was no corporate proposal announced and pending completion by the Group during the current quarter.

23. Borrowings

	<u>31.03.11</u>	<u>31.12.10</u>
	RM mil	RM mil
Current		
- secured	3,718	3,468
- unsecured	<u>531</u>	<u>524</u>
	<u>4,249</u>	<u>3,992</u>
- Redeemable convertible loans stocks - unsecured	<u>26</u>	<u>26</u>

Non-current		
- Term loans - secured	3,911	4,080
- Sukuk Ijarah Bonds - secured	241	239
- ABBA Bonds - secured	370	370
- Al-Istisna Bonds - secured	255	320
- Istisna Medium Term Notes - secured	3,730	3,730
- Sukuk Medium Term Notes - secured	5,268	5,258
- Junior Sukuk - secured	1,749	1,749
- Redeemable Unsecured		
Loan Stock - unsecured	132	150
- Government Loan - unsecured	76	78
	<u>15,732</u>	<u>15,974</u>
- Redeemable preference shares	<u>137</u>	<u>136</u>

24. Realised and unrealised profit/losses disclosure

The retained earnings as at 31 March 2011 is analysed as follows:

	As at 31.03.11 RM' 000
Total retained earnings of the Company and its subsidiaries:	
- Realised	2,755,804
- Unrealised	<u>77,047</u>
	2,832,851
Total retained earnings from associated companies:	
- Realised	(179,631)
- Unrealised	<u>(28,371)</u>
	(208,002)
Total retained earnings from jointly controlled entities:	
- Realised	(53,630)
- Unrealised	<u>206</u>
	(53,424)
Total retained earnings before consolidation adjustment	<u>2,571,425</u>
Less: Consolidation adjustment	<u>(34,288)</u>
Total retained earnings as per consolidated financial statements	<u><u>2,537,137</u></u>

25. Changes in material litigation

There are no significant changes in material litigation, including the status of pending material litigation in respect of the Company and its subsidiaries since the last audited balance sheet date as at 31 December 2010.

26. Dividend Payable

No dividend has been recommended by the Directors for the current financial period ended 31 March 2011. No dividend was declared by the Directors for the corresponding financial period ended 31 March 2010.

27. Earnings per ordinary share

Basic/Diluted Earnings Per Ordinary Share

	3 months quarter ended	3 months quarter ended	Cumulative 3 months ended	Cumulative 3 months ended
	<u>31.03.11</u>	<u>31.03.10</u>	<u>31.03.11</u>	<u>31.03.10</u>
Profit for the period attributable to owners of the Parent (RM mil)	43	33	43	33
Weighted average number of ordinary shares in issue ('mil)	3,045.1	3,045.1	3,045.1	3,045.1
Basic earnings per ordinary share (sen)	1.4	1.1	1.4	1.1
Diluted earnings per ordinary share (sen)	1.4	1.1	1.4	1.1

The Redeemable Convertible Unsecured Loan Stocks issued by a subsidiary as disclosed in Note 23 do not have a material impact to the dilution of the Group's earnings per share.

28. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the Directors as of 31 May 2011.

By Order of the Board

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

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

Secretaries

Kuala Lumpur

31 May 2011