

Notes to the interim financial statements

1. Basis of preparation

The consolidated condensed interim financial information for the 9 months ended 30 September 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, the 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
IC Int.19 Extinguishing financial liabilities with equity instruments

The adoption 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 30 September 2011.

8. Dividend paid

In respect of the financial year ended 31 December 2010, as reported in the Directors' report during that financial year, a final single-tier dividend of 3.5 sen per share on the 3,045,058,552 ordinary shares amounting to RM106,577,049, was paid on 15 June 2011.

9. Segment Reporting

The Group's segmental report for the nine-month financial period ended 30 September 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 | 1,061 | 6,105 | 73 | 2 | 7,241 |
| Inter-segment | (18) | (3) | (72) | - | (93) |
| External | 1,043 | 6,102 | 1 | 2 | 7,148 |
| <u>Results</u> | | | | | |
| Profit / (Loss) before taxation | 182 | 865 | (2) | (196) | 849 |
| Finance cost | 113 | 767 | - | 138 | 1,018 |
| Depreciation and amortisation | 211 | 678 | - | 3 | 892 |
| Earnings Before Interest, Tax, Depreciation and Amortisation | 506 | 2,310 | (2) | (55) | 2,759 |

The Group's segmental report for the corresponding nine-month financial period ended 30 September 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 |
|---|--|---|---|---|------------------------|
| Revenue | | | | | |
| Total | 1,052 | 5,582 | 43 | 4 | 6,681 |
| Inter-segment | (6) | (25) | (41) | - | (72) |
| External | 1,046 | 5,557 | 2 | 4 | 6,609 |
| Results | | | | | |
| Profit / (Loss) before taxation | 149 | 743 | (62) | (96) | 734 |
| Finance cost | 102 | 825 | - | 117 | 1,044 |
| Depreciation and amortisation | 193 | 699 | - | 3 | 895 |
| Earnings Before Interest, Tax, Depreciation and Amortisation | 444 | 2,267 | (62) | 24 | 2,673 |

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.

12. Changes in composition of the Group

There was no change in the composition of the Group during the current quarter except on 18 August 2011, MMC-VME Sdn Bhd ("MMC-VME"), a 61% subsidiary of MMC Corporation Berhad ("MMC"), has been wound up. Following the winding up, MMC-VME has ceased to be a subsidiary of MMC.

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:

| | 30.09.11 | 31.12.10 |
|--------------|------------|------------|
| | RM million | RM million |
| Subsidiaries | 441.1 | 406.8 |

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:

| | 30.09.11 |
|-----------------------------------|--------------|
| | RM million |
| Property, plant and equipment: | |
| Authorised and contracted for | 226.6 |
| Authorised but not contracted for | 199.0 |
| | <u>425.6</u> |

Additional information required by the Bursa Securities Listing Requirements

15. Review of performance

The Group's profit before zakat and taxation for the nine-months financial period ended 30 September 2011 of RM848.7 million was higher by RM114.8 million compared to the corresponding financial period ended 30 September 2010.

Higher profit recorded from **Energy & Utilities division** by RM121.6 million or 16.4% due to lower other operating expenses, improved associates performance and lower finance cost as a result of loan repayments during the period offset by lower margins on new gas tariff.

Higher profit recorded from **Transport & Logistics division** by RM32.5 million or 21.8% mainly driven by the increase in throughput volume and lower operating costs.

Better performance from the **Engineering & Construction division** by RM59.7 million or 96.6% mainly due to the absence of profit revisions for the double track project and lower provision on project losses of Zelan Berhad, an associate company of the group.

Lower contribution from **Corporate & Others division** by RM99.0 million or 102.4% due to lower gain on disposal of investment compared against the previous corresponding financial period coupled with higher finance cost.

16. Variation of results against preceding quarter

The Group recorded a profit before zakat and taxation of RM295.2 million in the current quarter as compared to RM268.2 million in the preceding quarter. This was mainly due to lower administrative and operating expenses.

17. Current prospects

The gas tariff revision effective 1 June 2011 will have an impact on Gas Malaysia Berhad's ("GMB") contribution to the Group. This however, can be mitigated by the improved performance of the Group's ports and power businesses.

Notwithstanding the challenges being faced by certain companies within the Group, the Board expects the results for the current financial year's performance to be satisfactory.

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 ended 30.9.11 | 3 months ended 30.9.10 | Cumulative 9 months ended 30.9.11 | Cumulative 9 months ended 30.9.10 |
|----------------------|------------------------------|------------------------------|--|--|
| | RM mil | RM mil | RM mil | RM mil |
| Current tax expense | | | | |
| - current | (54) | (83) | (158) | (232) |
| - prior year | - | - | (2) | - |
| Deferred tax expense | | | | |
| - current | (14) | (20) | (58) | 58 |
| - prior year | - | - | - | - |
| | <u>(68)</u> | <u>(103)</u> | <u>(218)</u> | <u>(174)</u> |

The Group's effective tax rate for the nine-months financial period is higher than the statutory income tax rate in Malaysia mainly due to the effect of the single tier tax system which resulted in higher interest restrictions, coupled with lower investment tax allowance recognised in the current period.

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 30 September 2011:

| | At Cost | At Carrying Value | At Market Value |
|--------------------------|---------|-------------------------|-----------------------|
| | RM mil | RM mil | RM mil |
| Quoted in Malaysia | 16 | 79 | 79 |
| Quoted outside Malaysia | 13 | 8 | 8 |
| Total quoted investments | 29 | 87 | 87 |

22. Status of corporate proposals announced

On 31 October 2011, the shareholders of MMC had approved the Proposed Listing of Gas Malaysia Berhad ("GMB") on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). MMC has been advised by GMB that GMB is still in the midst of complying with the conditions imposed by the Securities Commission for the Proposed Listing vide its letter dated 7 October 2011 and hence the Proposed Listing, barring any unforeseen circumstances, is now envisaged to be completed by

the first quarter of 2012. For details of the Proposed Listing and the Circular to MMC's shareholders, please refer to details in Bursa Malaysia's website.

23. Borrowings

| | <u>30.09.11</u> | <u>31.12.10</u> |
|--|-----------------|-----------------|
| | RM mil | RM mil |
| Current | | |
| - secured | 2,572 | 3,468 |
| - unsecured | <u>634</u> | <u>524</u> |
| | <u>3,206</u> | <u>3,992</u> |
| - Redeemable convertible loans stocks - unsecured | <u>18</u> | <u>26</u> |
| Non-current | | |
| - Term loans - secured | 4,814 | 4,081 |
| - Sukuk Ijarah Bonds - secured | - | 239 |
| - ABBA Bonds - secured | 370 | 370 |
| - Al-Istisna Bonds - secured | 257 | 320 |
| - Istisna Medium Term Notes - secured | 3,530 | 3,730 |
| - Sukuk Medium Term Notes - secured | 5,289 | 5,258 |
| - Junior Sukuk - secured | 1,749 | 1,749 |
| - Redeemable Unsecured Loan Stock - unsecured | 121 | 150 |
| - Government Loan - unsecured | <u>71</u> | <u>78</u> |
| | <u>16,201</u> | <u>15,975</u> |
| - Redeemable preference shares | <u>140</u> | <u>136</u> |

24. Realised and unrealised profit/losses disclosure

The retained earnings as at 30 September 2011 is analysed as follows:

| | As at 30.09.11 RM' 000 |
|--|------------------------------|
| Total retained earnings of the Company and its subsidiaries: | |
| - Realised | 2,575,503 |
| - Unrealised | 317,474 |
| | <u>2,892,977</u> |
| Total retained earnings from associated companies: | |
| - Realised | (164,400) |
| - Unrealised | (28,371) |
| | <u>(192,771)</u> |
| Total retained earnings from jointly controlled entities: | |
| - Realised | (60,553) |
| - Unrealised | 29 |
| | <u>(60,524)</u> |
| Total retained earnings before consolidation adjustment | <u>2,639,682</u> |
| Less: Consolidation adjustment | (36,188) |
| Total retained earnings as per consolidated financial statements | <u><u>2,603,494</u></u> |

25. Changes in material litigation

On 16 August 2011, Prai Power Sdn Bhd ("PPSB"), a wholly-owned subsidiary of Malakoff Corporation Berhad, the Company's 51% owned subsidiary, filed a Statement of Claim in the arbitration proceedings against Sumitomo Corporation, Japan ("Sumitomo"), for Sumitomo's breach of the duty of care it owed to PPSB under the Engineering, Procurement and Construction Contract ("EPC Contract") entered into between PPSB and Sumitomo dated 12 October 2000. Sumitomo had on 16 September 2011 filed a Statement of Defence in relation to the claim initiated by PPSB. Directions are awaited for the date for filing of the Reply.

Under the EPC Contract, Sumitomo was to inter alia design, engineer, manufacture, erect, install and commission the Prai Power Plant for PPSB.

PPSB's claim is that Sumitomo breached the obligations it owed to PPSB under the EPC Contract by supplying a rotor that was defective in design, manufacture and/or supply. The rotor was found damaged on 11 September 2006.

The total amount claimed by PPSB in its Statement of Claim is for the sum of RM83,608,019.43.

Based on solicitors' advice, PPSB believes that it has strong grounds for the claim.

Save as disclosed above, 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 30 September 2011. No dividend was declared by the Directors for the corresponding financial period ended 30 September 2010.

27. Earnings per ordinary share

Basic/Diluted Earnings Per Ordinary Share

| | 3 months ended <u>30.09.11</u> | 3 months ended <u>30.09.10</u> | Cumulative 9 months ended <u>30.09.11</u> | Cumulative 9 months ended <u>30.09.10</u> |
|---|--------------------------------------|--------------------------------------|--|--|
| Profit for the period attributable to owners of the Parent (RM mil) | 92 | 118 | 217 | 240 |
| 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) | 3.0 | 3.9 | 7.1 | 7.9 |
| Diluted earnings per ordinary share (sen) | 3.0 | 3.9 | 7.1 | 7.9 |

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 30 November 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

30 November 2011