

MANAGEMENT TEAM

- 1 **DATUK HJ HASNI HARUN** - Group Managing Director
- 2 **ANWAR SYHRIN ABDUL AJIB** - Director, Finance
- 3 **SHAHRIR SHARIFF** - Director, Project Development
- 4 **DR. MABEL LEE KHUAN EOI** - Director, Corporate Strategy
- 5 **AHMAD AZNAN MOHD NAWAWI** - General Manager, Group Corporate Secretarial
- 6 **AHMAD ZAKI** - General Manager, Corporate Finance
- 7 **ELINA MOHAMED** - General Manager, Corporate Services
- 8 **VINCENT CHIU HUO SIONG** - General Manager, Contracts & Procurement
- 9 **AZHARUDDIN NORDIN** - General Manager, Group Managing Director's Office









CORPORATE SOCIAL RESPONSIBILITY

As a caring and responsible company, we strongly uphold our tradition in making a positive difference to the communities where we do business. Our focus is to provide the utmost support to future generations – socially, economically and environmentally. At MMC, it is not purely about business but equally important is our philosophy of creating a sustained relationship with our stakeholders.

It is our key responsibility to ensure that each of the community initiative achieves its broad objectives that are in line with our long term business perspectives and bringing value to the society. Throughout the MMC Group, corporate social responsibility (CSR) is approached holistically. Our commitment is focused on the four pillars; education community development, environment and human capital development. Each of this pillar has internal and external elements to ensure they are balanced with our business objective, as well as meeting the needs of our key stakeholders.

Our CSR initiatives are designed to be aligned with our core value of integrity, innovation, teamwork, excellence and commitment. These are the foundations that are inherent in the strategic planning of all our CSR initiatives.



1,000 sertai kayuhan amal Malakoff



Sebuah kumpulan kayuhansis yang berbilang kaum dan agama telah menyertai acara kayuhan amal yang dianjurkan oleh Malakoff pada Sabtu (10) malam.

Kayuhan amal yang dianjurkan oleh Malakoff ini bertujuan untuk mengumpul dana bagi membantu projek projek sosial dan kebajikan masyarakat.

Acara kayuhan amal ini dianjurkan oleh Malakoff dan dianjurkan oleh Malakoff.

王國慧：積極推動腳車運動 腳車銷量增長35%



Wang Guohui, CEO of the company, stated that the company has actively promoted bicycle sports and that bicycle sales have increased by 35%.

Wang Guohui said that the company has actively promoted bicycle sports and that bicycle sales have increased by 35%.



EDUCATION AND COMMUNITY DEVELOPMENT

The MMC Group is committed to education and thus has worked with numerous government and non-government organisations to give back to the society. We have always been sensitive towards the plight of the less fortunate and the needy.

Within the MMC Group we are actively involved in sponsoring school equipment to Orang Asli children, organising motivational talks, organising English tuition programs to selected schools and other programs that encourage the development of young talents and provide educational opportunities to the community. In line with these efforts, we have donated to 11 adopted schools to assist in upgrading academic facilities, tuition revision classes and rewarding UPSR top achievers. In recognising their academic achievements, we have also awarded cash to top engineering students at Universiti Teknologi Malaysia, University Tenaga Malaysia as well as top public relations students from University Science Malaysia.

We have also continued with our annual tradition of recognising and rewarding our employees' children who excel in key examinations through the "Anugerah Pelajar Cemerlang".

Our giving back program to the community under this pillar does not stop here, as we continuously engage in humanitarian and community projects. We have sponsored a fund raising event called 'Sparks of Broadway', performed by local professional and aspiring performers. The sellout event raised significant funds to improve the facilities at Persatuan Sindrom Down Malaysia (PSDM) centre located in Kuala Lumpur. MMC has also been organising blood donation campaigns in cooperation with Pusat Darah Negara at our office premise. This annual program is to educate the value of blood in saving the life of others and has received good response from our staff as well as tenants of our office building.

As a symbol of giving and sharing, we held a series of community activities in the effort of reaching the needy and disadvantaged, such as the "Empower For Life" program. The program, which was conducted in collaboration with Women's Aid Organization, has provided essential skills, training, and medical assistance to single parents. We believe this program would help bridge the gap between the rich and the poor, the strong and the weak, and most importantly our position as a caring corporate citizen.



ENVIRONMENT

MMC commits itself towards conservation and protection as well as assuring the health and safety in the course of doing business. We recognise that our activities must be carried out responsibly to preserve the environment as we see ourselves as part of the local community in which our business operates in.

To us, health, safety and environment (HSE) have become an integral part of our daily operations. Various HSE programs have been organised for our staff at all levels to address the impact of business activities to the environment and personal health. It is imperative for us to ensure that our business operates in compliance with the highest environmental standards and relevant regulators within the local communities impacted by our presence.

We conducted an environmental awareness campaign such as the Malakoff 'Penjanabebas' Green School Project. The solar panel which has been funded by Malakoff has won us the Prime Minister's CSR Award for Environment 2010. The objective of this project is to raise awareness of energy efficiency and to broaden acceptance of the importance of green energy amongst students through on-the-ground awareness and education programs. As an extension of this effort, our environment awareness initiative continues with Malakoff Interstate Fellowship Ride. The program which was widely covered by the media, was aimed at raising RM50,000 to be distributed to welfare organisations. The ride, which attracted more than 1,000 participants is also aimed at creating awareness on living a healthy life-style.

Our participation in conserving the environment extends with the initiative of "Program Kesedaran Alam Sekitar" which was successfully carried out by Pelabuhan Tanjung Pelepas. The program which targeted primary schools, was aimed to educate young students on the importance of caring for the environment.

MMC's other environmental community initiatives include "Program Kesedaran & Kepentingan Hutan Dan Tanaman Pokok Bakau" at Tanjung Bin and the release of little sea bass or "Ikan Siakap" to rehabilitate the ecosystem as well as to assist the local fishermen in their livelihood.

HUMAN CAPITAL DEVELOPMENT

A strong company requires human capital with the right skills, competencies and motivation to maintain its competitive advantage. We believe MMC is as good as our people.

Our employees are the true assets of our group. To us, it is our employees that propel the journey of our company through the organisational's core value. Thus, we focus on the professional and personal development of MMC members to develop a culture of hard work, discipline and innovation. It is imperative for MMC to retain our most talented people as we strongly believe that a highly skilled workforce is indispensable.

We take the wellbeing of our employees seriously as we want them to grow with the company and therefore are always sensitive to their career development requirements. This would require careful planning and implementation of human capital programs. Skills development, succession planning and talent development initiatives are key. Therefore, our employees are given ample opportunities to improve their skill sets via training that give them exposure to the latest techniques and maximise their potential as they work towards achieving the organisational objectives.



HIGHLIGHTS OF 2010

Visit to NSTP Berhad



On 11 January 2010, the senior management of MMC visited the Balai Berita in Kuala Lumpur. During the visit, the team was met by the senior management

and editorial team of publications in the New Straits Times Press group. At the event, both parties were briefed on their respective operations and performance and discussed enhancing their relationship and mutual co-operation moving forward.

Senai High Tech Park (SHTP) inks memorandum of understanding with EQ Solar and MOX-Linde Gases



On 12 February 2010, Senai High Tech Park Sdn Bhd, a wholly-owned subsidiary of Senai Airport Terminal Services Sdn Bhd signed a Memorandum of Understanding with EQ Solar Technology International Sdn Bhd and MOX-Linde Gases Sdn Bhd for the purpose of leasing an industrial land in Senai Hi-Tech Park.

Analyst briefing for FY2009 results



On 1 March 2010, the management of MMC held a briefing for analysts and fund managers to discuss its 2009 full-year financial results.

Datuk Hj Hasni Harun appointed as Group Managing Director

On 22 March 2010, MMC announced the appointment of Datuk Hj Hasni Harun as Group Managing Director, which took effect on 3 May 2010. As Group MD, Datuk Hj Hasni assumes responsibility over the management of both the domestic and international operations of the MMC group of companies. This is following from the departure of Chief Executive Officer International, Fezal Ali which took effect on 3 May 2010.

SMART wins Institute of Engineers Malaysia Outstanding Engineering Achievement Award 2010

On 17 April 2010, the Institution of Engineers Malaysia awarded SMART with the "IEM Outstanding Engineering Achievement Award 2010" for the construction and design of the SMART tunnel.



Minggu Saham Amanah Malaysia 2010

MMC participated in the Minggu Saham Amanah Malaysia 2010, which was held from 20 - 26 April 2010 in Kuching. The week is aimed at creating awareness of financial planning and intended to be an educational platform for those planning to invest in unit trust funds.

Career Fair



Johor Port Berhad (JPB) had the honour to support the career fair that was organized by JobsMalaysia and sponsored by Iskandar Development Region Authority (IRDA). Officiated by the Johor Bahru City Mayor, Tuan Haji Mohd Jaffar bin Awang, the exhibition that also showcased current IRDA developments was held

on 24 – 25 April and 3 - 4 July at Danga City Mall, Johor Bahru and Kompleks Pusat Bandar, Pasir Gudang respectively.

The event lasted for two days at each venue and was attended by thirty companies from around Johor Bahru and Pasir Gudang industrial estate who are also JPB's customers. Among the purpose of joining this event was to promote JPB's job vacancies while at the same time showing our support especially being the only multi-purpose port in the Iskandar Region.

Apart from collecting resumes for new recruitments, an on the spot interview was also held for the shortlisted candidates during the exhibition. At the end of the event, we managed to collect a number of resumes for vacancies and for future references.

Visit by Queensland Minister



On 28 April 2010, the Hon. Stephen Robertson MP, Queensland's Minister for Natural Resources, Mines and Energy and Minister for Trade, and his delegation of government representatives and business leaders visited the MMC office. During the visit the delegation were given a briefing on the MMC group's activities and discussed opportunities where both

parties may work together in the future.

8th ASEAN Port and Shipping Conference & Exhibition

Together with the Johor Port Authority (JPA), PTP participated in the 8th ASEAN Port and Shipping Conference & Exhibition held in Ho Chi Minh City, Vietnam between 20 to 21 May 2010.

The event which was hosted by Vietnam's Ministry of Transport was one of the largest annual events throughout the South East Asia region focusing on port, shipping, transport and logistics. The event saw the gathering of the world's leading companies from over 25 countries under one roof comprising port operators, shippers, cargo owners, importers/exporters, freight forwarders, logistics companies and port service providers.

Launching of the Aeromall at Senai International Airport



On 22 May 2010, the Prime Minister, YAB Dato' Sri Mohd Najib Tun Abdul Razak officiated the opening of the 50,047 sq ft Aeromall at Senai International Airport. The YAB Prime Minister also witnessed the signing of memoranda of understanding between SHTP and UTM, USM and UNIMAP and between SHTP and STX Corporation.

Excellent Achievement in the World Standing of Top Container Port of The World by Ministry of Transport



In recognition of PTP's position as the 17th busiest container port in the world, and in recognition of PTP's success of being one of only three (amongst the world's top twenty ports) to record a positive growth in its throughput volume despite the global economy recession in 2009, the Ministry of Transport Malaysia awarded PTP with an Achievement Award on 21st July 2010. The award ceremony was held at the Grand Dorsett Hotel, Subang Jaya.

Electrified Double Tracking Railway Project: Berapit Tunnel Breakthrough Ceremony



On 1 November 2010, Transport Minister Datuk Seri Kong Cho Ha launched the breakthrough ceremony of the Berapit Tunnel. Located at Padang

Rengas, Perak. The tunnel is 3.3km in length, through a solid 300m granite hill and is the longest rail tunnel in South East Asia.

SMART Tunnel Project wins FIABCI Award 2010 for National Contribution



On 11 November 2010 at the 18th Malaysia Property Awards, SMART won the Special Award for the National Contribution category. The winning project will represent Malaysia to compete in the international award competition FIABCI Prix d' Excellence award, which will be held in Cyprus in May 2011.

6th Asia Maritime and Logistics Conference & Exhibition 2010



PTP participated at the 6th Asia Maritime and Logistics Conference & Exhibition 2010 between 10 to 12 October 2010.

The event which was held in Putra World Trade Centre, Kuala Lumpur

also saw the participation of local manufacturers, cargo owners, importers, exporters, shipping agents, port operators and other logistics service providers.

Seri Alam Community Policing



The Community Policing, organized by IPD Seri Alam was held on November 13th, 2010 at Dataran Alhamara, Menara Aqabah, Pusat Bandar Pasir Gudang. It was officiated by YB Dato' Seri Mohamed Khaled bin Hj Nordin and Johor Port was honoured to be invited to join this event. In addition to enhancing the police force – resident relationship, the event was held to familiarize the society with the duties of the PDRM and to encourage vigilance and cooperation from the society to help the police fight rampant crimes.

Among the activities that were held during the Community Policing was crime fighting gimmick, performance by the Traffic Police branch, brass band performance by the PDRM and many more.



Malakoff wins Prime Minister's CSR Awards 2010

On 1 December 2010, Malakoff was the recipient of the prestigious Prime Minister's CSR Award 2010 for the "Environment" category. The Award was given in recognition of Malakoff's commitment to its environmental initiatives and its position as a proactive, sustainable and environmentally-conscious Malaysian company.



MMC-Gamuda Joint Venture announced as Project Delivery Partner for the MRT Project



On 18 December 2010, Prime Minister YAB Dato' Sri Najib Tun Razak announced that the Mass Rapid Transit (MRT) project, aimed at solving Greater KL/ Klang Valley's transportation woes, has been approved and will start rolling out in July. The project will be managed by MMC-Gamuda Joint Venture as the Project Delivery Partner.

The project is estimated to cost approximately RM36billion and will be the largest infrastructure project ever undertaken by the country.

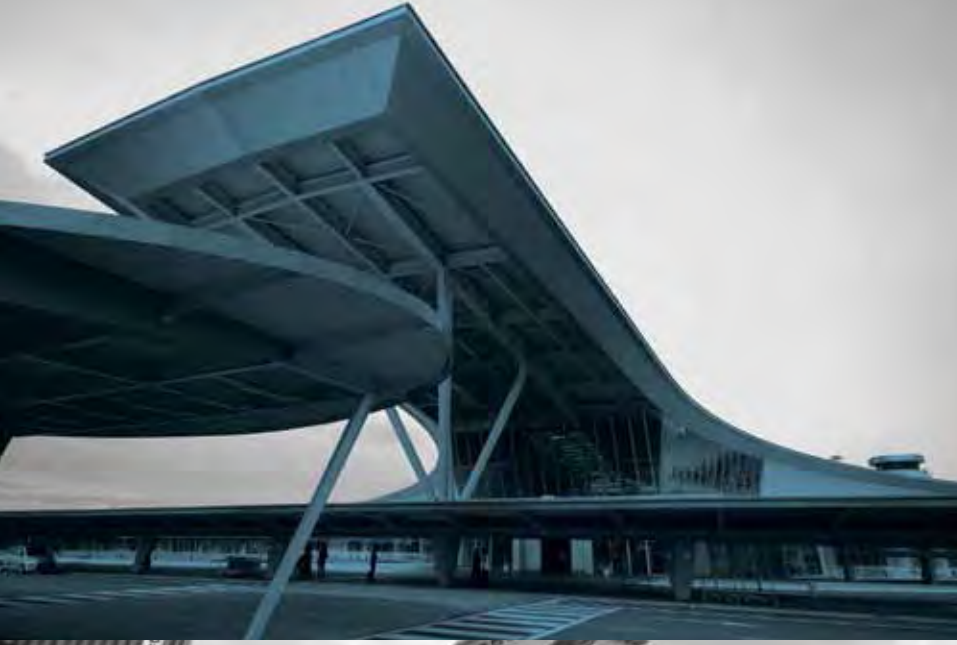
PTP closes 2010 with 6.5 million TEU

With a total throughput of 6.5 million TEU handled in 2010, PTP retained its status as Malaysia's busiest container port. The 6.5 million TEU handled by the port in 2010 accounted for an 8% growth over the 6 million TEU handled by the port in 2009.



CORPORATE GOVERNANCE

Statement on Corporate Governance	60
Internal Control Statement	66
Audit Committee Report	68
Risk Management Report	72
Additional Compliance Information	74



STATEMENT ON CORPORATE GOVERNANCE

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

DIRECTORS

The Board

The Company is led by a board of directors which is responsible to the shareholders for the management of the Company. The board has the ultimate and overall responsibility for corporate governance and the Company's overall strategic direction and objectives, its acquisition and divestment policies, major capital expenditure and the consideration of significant financial matters. It monitors the exposure to key business risks and reviews the direction of individual business units, their annual budgets, and their progress compared against those budgets. A total of six (6) board meetings were held during the financial year ended 31 December 2010 and all directors attended more than half of these meetings.

There is a distinct and clear division of responsibility between the Chairman and the Group Managing Director ("GMD") to ensure there is a balance of power and authority. The roles of the Chairman and the GMD are kept separate where the Chairman is responsible for ensuring board effectiveness and conduct and the GMD has the overall responsibility for the day-to-day management of Company. The GMD is also responsible for the implementation of the board's policies and decisions. The board continues to carry out the principal stewardship responsibilities which it explicitly assumed in 2002, as prescribed by the Code.

Board balance

There is optimum board balance and compliance with the independent directors criteria set out under the requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). At least one third of the board consists of independent directors with expertise and skills from various fields.

During the course of the year, Encik Feizal Ali and Encik Ahmad Jauhari Yahya vacated their offices as directors of the Company effective 3 May 2010 and 15 December 2010, respectively.

Currently, three out of seven board members are independent directors who are able to bring an independent judgment on issues of strategy, performance and resources of the Group. The presence of these independent directors fulfills a pivotal role of corporate accountability. They provide unbiased and independent views, advice and judgment to take account of the interests of the Group, shareholders, employees and any party with whom the Group conducts business.

Overall, the board comprises a good mix of members with diverse academic backgrounds to provide a collective range of skills, expertise and experience relevant to support the growth of our businesses.

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

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

Supply of Information

The board meets at least four times a year, and as and when necessary for any matters arising between regular board meetings. The board is supplied with information in a timely manner and in the appropriate quality to enable the directors to discharge their duties effectively, and due notice is given to directors with regard to issues to be discussed. The quality and manner in which information is provided to the board is reviewed annually as part of the board's evaluation process. Resolutions are properly recorded and minutes of proceedings of meetings are circulated to directors for comments before they are confirmed. Directors are also notified of any corporate announcements released to the Bursa Malaysia.

Directors are given access to any information within the Company and are free to seek independent professional advice at the Company's expense, if necessary, in the furtherance of their duties. There is an agreed procedure in place for directors to acquire independent professional advice to ensure that the board functions effectively. All directors have access to the advice and services of company secretaries whose appointment and removal is a matter for the board as a whole. The company secretaries advise both, the directors and management, on statutory, regulatory and corporate development, the implementation of corporate governance measures and compliance as applicable to the Group. They are also responsible for ensuring that board procedures are followed.

Appointments to the Board

The appointment of new directors to the board is made by the full board upon the recommendation of the nomination committee. Last year, no new appointments were recommended by the nomination committee to the board.

DIRECTORS' TRAINING

All directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia. Last year, with the exception of Encik Feizal Ali who resigned from the Board on 3 May 2010, all directors attended at least one training session, either organised internally by the Company or externally, including the following:

Dato' Wira Syed Abdul Jabbar Syed Hassan

- Audit Committee Institute Roundtable Discussion on Going Forward : Risk & Reform – Implications for Audit Committee Oversight : KPMG
- Corporate Governance and The Media : Tradewinds (M) Berhad & Bursatra Sdn Bhd
- The MPH Power-Packed Seminar - Investment Opportunities For 2010 And Beyond For Asian Companies And Investors : Jim Rogers
- Seminar on "Recent Tax Cases & Developments" : Messrs Lee Hishamuddin Allen & Gledhill / MMC Corporation Berhad
- Financial Institutions Directors' Education Programme - Developing High Impact Boards
 - : Module 1 / Bank Negara Malaysia & Perbadanan Insurans Deposit Malaysia Financial Institutions Directors' Education Programme - Developing High Impact Boards
 - : Module 2 / Bank Negara Malaysia & Perbadanan Insurans Deposit Malaysia Financial Institutions Directors' Education Programme - Developing High Impact Boards
 - : Module 3 / Bank Negara Malaysia & Perbadanan Insurans Deposit Malaysia Financial Institutions Directors' Education Programme - Developing High Impact Boards
 - : Module 4 / Bank Negara Malaysia & Perbadanan Insurans Deposit Malaysia

Datuk Hj Hasni Harun

- KPMG Malaysia GST Seminar 2010 : KPMG Tax Services Sdn Bhd
- Getting Up to Speed with Governance : Part 2 / The Institute of Internal Auditors Malaysia
- 18th World Congress of Accountants 2010 : International Federation of Accountants and Malaysian Institute of Accountants

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

- Directors Duties & Conference 2010 “Towards Boardroom Excellence & Corporate Governance Best Practices” : MICG and Federation of Public Listed Companies Berhad
- Implications of the Companies (Amendment) Act 2007 on Companies and Directors : Companies Commission of Malaysia
- Enhancing Protection for Directors Officers in an Escalating Risk Environment / IJM Corporation Berhad
- Directors' Training on “Enterprise Risk Management in Today's Economy & “Red Flags & Landmines in Financial Accounts” : Columbus Circle/ Gamuda Berhad
- Banking Insights Programme : Financial Institutions Directors' Education Programme
- Seminar on Improving the Design and Installation of Traffic Safety Barriers along Major Roads in Malaysia : REAM
- Seminar on “Recent Tax Cases & Developments” : Messrs Lee Hishamuddin Allen & Goldhill / MMC Corporation Berhad
- Seminar on The Competition Bill 2010 : Rahmat Lim & Partners
- Strategic Islamic Finance : PNB Investment Institute Sdn Berhad
- “A Contrarian View of Corporate Governance” : IJM Corporation Berhad
- Seminar on Budget 2011 : Price WaterhouseCoopers
- Directors Training on “Corporate Problems-Lessons from Toyota, Sime Darby, Transmile & BP and How the Board can input to Strategy Development & Implementation” : ColumbusCircle/ Gamuda Berhad
- 2010 PLC Directors Training on “The Debt Recovery Process” : Rockwills Business Solutions Sdn Bhd/Lysaght

Datuk Mohd Sidik Shaik Osman

- Corporate Social Responsibility for Malaysian Business : MAICSA

Datuk Abdullah Mohd Yusof

- The Challenges of Implementing FRS 139 : Bursa Malaysia

Encik Ooi Teik Huat

- Forum on FRS 139 – Financial Instruments Standard : Bursa Malaysia
- Seminar on Corporate Governance And The Media : Tradewinds (M) Berhad & Bursatra Sdn Bhd
- Seminar on Investment Opportunities For 2010 and Beyond For Asian Companies And Investors : MPH Group
- Seminar on “Recent Tax Cases & Developments” : Messrs Lee Hishamuddin Allen & Gledhill / MMC Corporation Berhad
- Seminar on Preventing Corporate Misdeeds: Principal roles, responsibilities and accountabilities of Directors and Corporate Management : Tradewinds (M) Berhad

Encik Abdul Hamid Sh Mohamed

- Government Transformation Plan by Prof. Danny Quah : London School of Economics
- Seminar on “Recent Tax Cases & Developments” : Messrs Lee Hishamuddin Allen & Gledhill / MMC Corporation Berhad
- Dinner Talk on the Economic Crisis by Prof. Nabil Haque : Harvard Business Club
- MSC-ICM/IAP 2010: Economic Transformation Programme Briefing for IAP Members : PEMANDU under Prime Minister's Department
- Senior Managers Offsite Teambuilding : Symphony House Berhad
- UBS Global Economic Outlook : UBS
- Legal Workshop – Personal Data Protection Act (PDPA) 2010 : Symphony House Berhad

Encik Ahmad Jauhari Yahya (resigned w.e.f 15 December 2010)

- Workshop in Coal Pricing : IBC Asia (S) Pte Ltd
Energy Forum on securing a sustainable energy future for Malaysia : MGA ECOM and Suruhanjaya Tenaga

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

Re-election

The Company's Articles of Association provides that all directors should submit themselves for re-election at least once every three years, in compliance with the requirements of Bursa Malaysia. The Articles of Association also provide that one-third of the board shall retire from office every year and shall be eligible for re-election at every AGM. At the Company's Thirty-Fifth AGM, Encik Ooi Teik Huat, an Independent Director of the Company and YBhg. Datuk Hj Hasni bin Harun, the GMD, shall retire and being eligible, will offer themselves for re-elections.

Additionally, Directors of or over the age of seventy are to be re-appointed annually at the AGM, a requirement to be followed pursuant to Section 129 of the Companies Act 1965. YBhg. Dato' Wira Syed Abdul Jabbar bin Syed Hassan and YBhg. Dato' Abdullah bin Mohd Yusof will be seeking re-appointment under the said provision at this AGM.

This affords shareholders the opportunity to review directors' performance, thereby promoting an effective board.

DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

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

Procedure

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

Disclosure

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

Category	Fees (RM)	Salaries and emoluments (RM)	Meeting & other allowances and defined contribution plan (RM)	Benefits in kind (RM)
Executive Directors	-	4,689,480	780,400	165,332
Non-Executive Directors	482,370	-	417,880	124,789

The remuneration paid to the directors within the following bands is as follows:

Amount of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 to RM100,000	-	3*
RM100,001 to RM150,000	-	2
RM150,001 to RM200,000	-	1
RM300,000 to RM350,000	-	1
RM2,000,000 to RM2,500,000	1**	-
RM3,000,000 to RM3,500,000	1	-

* one director resigned with effect from 15 December 2010

** one director resigned with effect from 3 May 2010.

SHAREHOLDERS

Dialogue between the Company and Investors

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

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

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

The Annual General Meeting

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

- used appropriate accounting policies and applied them consistently;
- ensured that all the requirements of Malaysian Accounting Standards Board's approved accounting standards have been followed; and

- prepared financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

Internal Control

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

Relationship with Auditors

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

BOARD COMMITTEES

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

The executive committee comprises two non-executives directors and the GMD. The committee is responsible for strategic and operational plans which fall within their level of authority. This will allow matters that fall within the committee's terms of reference to be deliberated and decided by the committee, thus reducing the board's agenda.

The nomination committee comprises three non-executive directors, two of whom are independent. The committee makes recommendations to the board on new board appointments, taking into account the size, balance and structure of the board. It also reviews the size and composition of the board to ensure that it consists of the best mix of talents most effective to run the company.

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

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

Details on the audit committee appear in the audit committee report which appears on pages 68 to 71 of this annual report.

BOARD AND COMMITTEE MEETINGS

Attendance Record of Board Members

Set out below is the attendance record of members for board and committee meetings for financial year ended 2010.

	Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Executive Committee
1.	Dato' Wira Syed Abdul Jabbar bin Syed Hassan	6/6	-	2/2	3/3	1/1
2.	Datuk Hj Hasni Harun	5/6	-	-	-	1/1
3.	Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman bin Haji Wan Yaacob	6/6	4/5	-	3/3	-
4.	Dato' Abdullah bin Mohd. Yusof	6/6	5/5	2/2	-	-
5.	Datuk Mohd Sidik Shaik Osman	6/6	-	-	3/3	1/1
6.	Encik Ooi Teik Huat	6/6	4/5	2/2	-	-
7.	Encik Abdul Hamid Sh Mohamed	5/6	4/5	-	-	-
8.	Encik Feizal Ali (resigned w.e.f. 3 May 2010)	1/3	-	-	-	-
9.	Encik Ahmad Jauhari bin Yahya (resigned w.e.f. 15 December 2010)	5/6	-	-	-	-

Notes:

All directors attended more than 50% of the meetings held in the financial year ended 31 December 2010.

INTERNAL CONTROL STATEMENT

The board of directors recognizes the importance of sound internal control and risk management practices and its responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems.

Group Risk Management Framework

The Group's risk management framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situations and ensure relevance at any given time. Management, in keeping with good governance, takes a serious view of ensuring that the Group is always alert to any situation that might affect its assets, income and ultimately, profits.

Enterprise Risk Management Framework

The Group's risk are monitored and updated constantly by their risk owners via the Enterprise Risk Management ("ERM") risk register. The data contained in the ERM risk register will then be checked and reviewed by the management of individual subsidiaries, the ultimate risk owners.

The Risk Management Unit extracts from the ERM risk register risks that are rated 'high', reviews the corrective measures and if required, discusses them with the risk owners. The risks are then compiled into the Group risk management quarterly reports and submitted to the Enterprise Risk Management Committee (ERMC) chaired by the Director of Finance. The report will then be reviewed by the Group Managing Director and tabled to the EXCO and subsequently to the board of directors at each quarterly meeting so that the board is aware of major risks within the Group and to ensure prompt action by the management to mitigate the risks.

Business Continuity Plan

MMC's Business Continuity Plan ("BCP") is a pro-active crisis management programme that addresses how the organization should react to unexpected business interruptions. It identifies the critical elements which are required so that essential business functions are able to continue in the event of unforeseen or difficult circumstances. MMC is committed to employ appropriate strategies in anticipating and controlling crisis situations and to establish an emergency response team, who would execute the plan to ensure minimal disruption.

The Company also has a tested IT Disaster Recovery Plan directing the computer system recovery process. The plan focuses on the requirements necessary to restore the processing of the critical business system applications at an alternate facility for an interim period following the loss of computing services.

Other Key Elements of Internal Control

The other key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to board committees and to the management of head office and companies within the Group, including financial authority limits.
- Where appropriate, certain companies have ISO 9001:2000 and ISO 14001 accreditations for operational processes.
- Review of proposals for material capital and investment acquisitions by the executive committee before review and approval by the board.
- A budgeting process where companies prepare budgets every year, for approval at company level, before being reviewed by the executive committee and/or the board.
- Quarterly performance reports, benchmarked against budgets and objectives, are provided to directors and discussed at the executive committee and/or board meetings.
- Monitoring of performance, including discussion of any significant issues at regular meetings with heads of business units.
- Board representation in companies in which MMC has a material interest, to facilitate the performance review of these companies.
- Periodic reviews by the internal audit consultant, providing an independent assurance on the effectiveness of the Group's system on internal control and advising management on areas of improvement.
- The audit committee, on behalf of the board, considers the effectiveness of the operation of the Group's internal control procedures.
- The risk management framework of the Group is in place together with the ERM risk register to assist in the Group's risk management process.
- The implementation of an Enterprise Resource Planning System for the Group has also increased the quality of controls over its general operations. The system will also help to ensure that work processes are more efficient and timely.

The board believes that the development of the system of internal controls is an ongoing process and continues to take steps to improve the internal control system. A number of internal control weaknesses identified during the period have been addressed.

AUDIT COMMITTEE REPORT

Audit Committee serves as a bridge in the communication network between internal and external auditors and the Board of Directors. The existence of an Audit Committee would provide a critical oversight of the company's financial reporting and auditing processes.

The audit committee comprises four non-executive directors, three of whom are independent, and is chaired by Dato' Abdullah Mohd Yusof, an independent director.

Meetings

Meetings are scheduled at least four times a year, and are normally attended by the Group Managing Director, the Director of Finance, Internal Audit Manager and upon invitation, the external auditors and internal audit consultants. Other board members may also attend meetings upon the invitation of the audit committee. Last year, the audit committee met twice with the external auditors without the presence of the management. The auditors, both internal audit consultant (Ernst & Young) and external auditors (PwC), may request additional meetings if and when considered necessary.

The Company Secretary acts as secretary to the audit committee. Minutes of each meeting are distributed to each board member and the Chairman of the audit committee reports key matters discussed at each meeting to the board. The audit committee had five meetings during the last financial year and the external auditors attended four of these meetings. The internal audit consultant, Ernst & Young, tabled to the audit committee reports on operational audits which were carried out during the year.

Authority

The audit committee has the following authority as empowered by the board:

- The authority to investigate any matters within its terms of reference;
- The authority to utilise resources which are required to perform its duties;
- Full, free and unrestricted access to any information, records, properties and personnel of any company within the Group;
- Direct communication channels with the external and internal auditors;
- The ability to obtain independent, professional or any other advice; and
- The ability to convene meetings with the external and internal auditors or both, without the presence of other directors and employees of the company, whenever deemed necessary.

Duties and Terms of Reference

1. Consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work.
2. Discuss the nature and scope of the audit in general terms and any significant problems that may be foreseen with the external auditors before the audit commences and ensure that adequate tests to verify the accounts and procedures of the Group as performed.
3. Discuss the impact of any proposed changes in accounting principles on future financial statements.
4. Review the results of the operational audit reports and monitor the implementation of any recommendations made therein.
5. Review the quarterly results and annual financial statements before submission to the board, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments resulting from the audit;
 - the going concern assumptions;
 - compliance with accounting standards; and
 - compliance with regulatory requirements.
6. Discuss problems and reservations arising from the interim and final audits, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
7. Review the external auditor's management letter and management's response.
8. Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.
9. Review the internal audit plan, consider the major findings of internal audit investigations and management's response and ensure co-ordination between the internal and external auditors.

AUDIT COMMITTEE REPORT (CONTINUED)

10. Review any appraisal or assessment of the performance of members of the internal audit function.
11. Approve any appointment or termination of senior staff members of the internal audit functions.
12. Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
13. Keep under review the effectiveness of internal control systems and in particular review the external auditor's management letter and management's response.
14. Review any related party transactions that may arise within the Group.
15. Where the audit committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the listing requirements, the audit committee must promptly report such matter to Bursa Malaysia.
16. Review audit reports of subsidiaries after they have been reviewed by the audit committee or Board of Directors of those subsidiaries.
17. Review arrangements established by management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the Group's operations.
18. Disclose details of the activities of the audit committee, the number of audit meetings held in a year, details of attendance of each director in respect of meetings and details of relevant training attended by each director.
19. Carry out such other assignments as defined by the board.

Internal Audit Function

The internal audit function is carried out by Ernst & Young, to whom the function has been outsourced since February 2004. The internal audit department oversees the overall Group internal audit function and coordinates communication between the Group and Ernst & Young, and is tasked to ensure that the consultant carries out its duties diligently in accordance with the agreed terms between the parties.

This department also assists the board in monitoring and managing risks and internal controls and provides independent assessment for adequate, efficient and effective internal control systems in anticipating potential risk exposures over key business processes.

The audit committee approves the internal audit plan submitted by Ernst & Young prior to the commencement of a new financial year. The scope of the internal audit covers the audits of all business units and operations, including head office functions. The Group practices a risk-based approach in the implementation and monitoring of controls. The monitoring process also forms the basis for continually improving the risk management culture within the Group, which assists in achieving the Group's overall goals.

Throughout the last financial year, audit assignments and follow-up reviews were carried out on units of operations and subsidiaries, in accordance with the annual audit plan or as special audits. The resulting reports of the audits undertaken were forwarded to the parties concerned for their attention.

The management of each audited unit is responsible for ensuring that corrective action is taken on reported weaknesses within the required timeframe. The same management is also responsible for ensuring a status report of action plans taken on audit findings is sent to the internal auditor for review and subsequent presentation to the audit committee.

For the financial year 2010, the total cost of the internal audit function was RM1, 024,841.

Internal Audit Activities

A summary of the Group's internal audit function during the last financial year is as follows:

- Examine the controls over all significant Group operations and systems to ascertain whether they provide reasonable assurance that the Group's objectives and goals will be met efficiently and economically;
- Prepare the annual audit plan for deliberation by the audit committee;
- Act on suggestions made by external auditors and/or senior management on concerns over operations or control;
- Carry out operational audits and make recommendations for improvement, where weaknesses exist; and
- Report on whether corrective action has been taken and is achieving the desired results.

Summary of Activities

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

- Reviewed and approved the proposal to renew the engagement of the internal audit consultants (Ernst & Young) for the period 2010 to 2012.
 - Reviewed and approved the internal audit plan for 2011. In its review, the audit committee reviewed the scope and coverage of the activities of the respective business units of the Group and Ernst & Young's basis of assessment and risk rating of the proposed audit areas.
 - Noted the minutes of audit committee meetings of Malakoff Corporation Berhad, Gas Malaysia Sdn Bhd, Aliran Ihsan Resources Berhad, Pelabuhan Tanjung Pelepas Sdn Bhd, Senai Airport Terminal Services and Johor Port Berhad.
 - Reviewed the audit strategy and scope for statutory audits of the Group accounts with the external auditors.
 - Reviewed the unaudited quarterly financial statements and the audited accounts of the Company and the Group and recommended the same to the board.
 - Reviewed the findings of the external auditors and followed up on the recommendations.
 - Reviewed the performance / operations audit of subsidiaries and made appropriate recommendations.
- Reviewed and appraised the adequacy and effectiveness of management response in resolving the audit issues reported.
 - Reviewed the adequacy of the scope, functions, competences and resources of the internal audit functions and that it has the necessary authority to carry out its work.
 - Carried out the performance appraisal of the Internal Audit Manager.
 - Held discussions with the external auditors without the presence of management to ensure an adequate level of cooperation between the external auditors and management.
 - Reviewed and approved the processes and investigations undertaken by Ernst & Young and the internal auditor, the audit findings and risk analysis on each audit assignment and emphasised on follow-up audits to ensure that appropriate corrective action is taken and audit recommendations are implemented.
 - Reviewed related party transactions to ensure that they are fair and reasonable to, and are not to the detriment of, minority shareholders.
 - Reviewed the draft Annual Report for 2010 in respect of the following:
 - Audit Committee Report;
 - Corporate Governance Statement; and
 - Statement on Internal Control.
 - Considered and recommended to the Board of Directors the draft reports and statutory financial statements for the financial year ended 31 December 2010.
 - Reviewed and recommended actions on specific internal audit investigations.

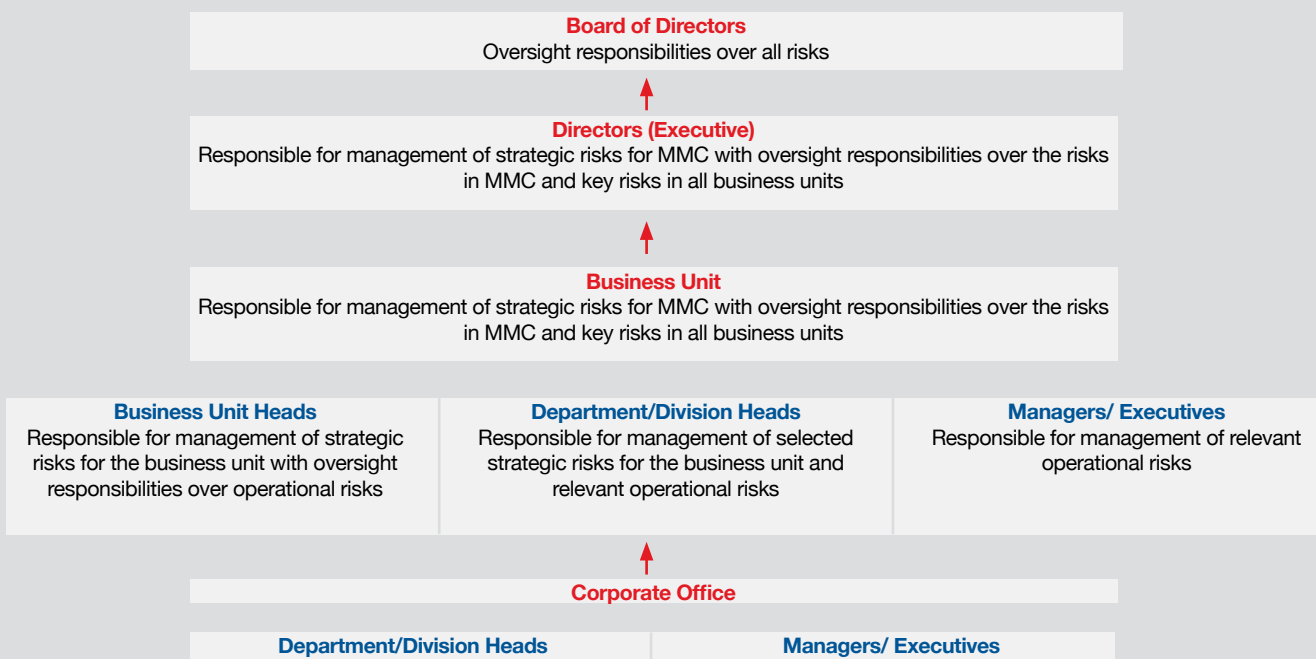
Employees' Share Option Scheme

There is no employees' share option scheme for the audit committee to review and verify.

RISK MANAGEMENT REPORT

Risk management is an integral part of the Group's management process. The process for managing risks is therefore embedded into the operational processes of the Group. In pursuing our vision, we recognise that we will face risks associated with our business strategy, operations and our people, assets and reputation. The effective management of the entire spectrum of these risks is the purpose of the Group risk management policy.

Reporting Structure

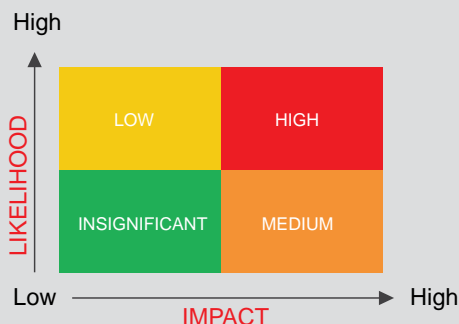


Group Risk Management Policy

The Group's policy is to adopt a common risk management framework which creates a consistent consideration for risk and reward in day-to-day planning, execution and monitoring of the strategy and achievement of corporate goals.

Risk Identification Process and Analysis

The Group defines risk as any event which may impact upon its objectives, including economic, reputation and compliance objectives. It is measured in terms of likelihood and consequences. Business risks arise as much from the likelihood of loss opportunities as it does from uncertainties and hazards. Our policy is to identify, evaluate and respond appropriately to risks identified so as to protect the Group from loss, uncertainty and lost opportunity.



Monitoring and Reporting Process

Regular monitoring and reporting is essential in managing risks as few risks remain static. An overview of the Group's monitoring and reporting process is provided in the diagram below:

Board of Directors	<ul style="list-style-type: none"> Review and approve quarterly reports
EXCO Committee	<ul style="list-style-type: none"> Review and approve quarterly reports to the Board of Directors
Group Managing Director	<ul style="list-style-type: none"> Perform quarterly compliance and assessment in the ERM risk register and review assessments done in the Group Present risk management report to the Board quarterly
Director of Finance	<ul style="list-style-type: none"> Review for exceptions: non-compliance with controls, changes in applicability of risks and controls, and delays in the implementation of action plans for the Group
Enterprise Risk Management Committee	<ul style="list-style-type: none"> Review, assess and ensure that there is adequate framework for risk identification, risk measurement and risk monitoring and the extent to which these subsidiaries are operating effectively Ensure that the risk policies and procedures of subsidiaries are aligned and integrated to the business strategies and plans Review the development of the Enterprise Risk Management policies to ensure that the key business risks at subsidiaries are effectively addressed by the management Review the risk assessments and implementation of action plans effectively Ensure that infrastructure, resources and/or systems are in place for Enterprise Risk Management Report to the Board of Directors of MMC Corporation Berhad on the key risks of the Group and the subsidiaries and the respective management action plans to mitigate these risks
Business Unit Heads	<ul style="list-style-type: none"> Perform monthly compliance and assessment in the ERM risk register and review assessments done in the business units Review for exceptions: non-compliance with controls, changes in applicability of risks and controls, and delays in the implementation of action plans for the business unit Submit risk management report for the business unit to the corporate office quarterly
Department Heads	<ul style="list-style-type: none"> Perform monthly compliance and assessment in the ERM risk register Review for exceptions: non-compliance with controls changes in applicability of risks and controls, and delays in the implementation of action plans for the department
Managers / Executives	<ul style="list-style-type: none"> Perform monthly compliance and assessment in the ERM risk register and review primary and secondary risks

ADDITIONAL COMPLIANCE INFORMATION

Convictions for Offences

None of the directors has been convicted for offences within the past 10 years other than traffic offences, if any.

Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal.

Share Buybacks

During the financial year, there were no share buybacks by the Company.

Options, Warrants of Convertible Securities

During the financial year, no options, warrants or convertible securities were issued by the Company.

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

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

Impositions of Material Sanctions/Penalties

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

Non-audit fees

Apart from the annual audit fees payable to the external auditors, the Company did not incur any non-audit fees for the financial year.

Profit Estimate, Forecast or Projection

The Company did not make any release on the profit estimate, forecast or projection for the financial year.

Profit Guarantee

During the year, there was no profit guarantee given by the Company.

Material Contracts

Save as disclosed below, there were no material contracts between the Company and its subsidiaries involving directors' and major shareholders' interest either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year:

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

Pursuant to the O&M Agreement, RP is to provide operation and maintenance services ("Services") to the power plant owned by Tanjung Bin comprising three (3) coal-fired generating units with a total capacity of 2,100 megawatts, located in the State of Johor ("Tanjung Bin Power Plant") which generates electricity to be sold to Tenaga Nasional Berhad based on a concession period of twenty five (25) years ("Term"). For the period from 1 January 2010 to 31 December 2010, the Services rendered by RP for the Tanjung Bin Power Plant had amounted to RM277,258,000.

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

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

Pursuant to the Subcontract O&M Agreement, RP has subcontracted a part of its scope of works under the O&M Agreement ("Subcontract Services") to TJSB. For the period from 1 January 2010 to 31 December 2010, the Subcontract Services rendered by TJSB to RP for the Tanjung Bin Power Plant had amounted to RM128,188,000.

TJSB is a wholly-owned subsidiary of MCB.

Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor ("TSSM"), who is a major shareholder of MMC, had acquired 100% equity interest in RP from Motivasi Asia Sdn Bhd on 20 September 2007. TSSM subsequently on 11 October 2007 entered into a Sale and Purchase Agreement with DRB-HICOM Berhad ("DRB-HICOM") to sell his 100% beneficial equity interest in RP to DRB-HICOM. TSSM also holds 90% equity interest in Etika Strategi Sdn Bhd which is a major shareholder of DRB-HICOM.

Contracts Relating to Loan

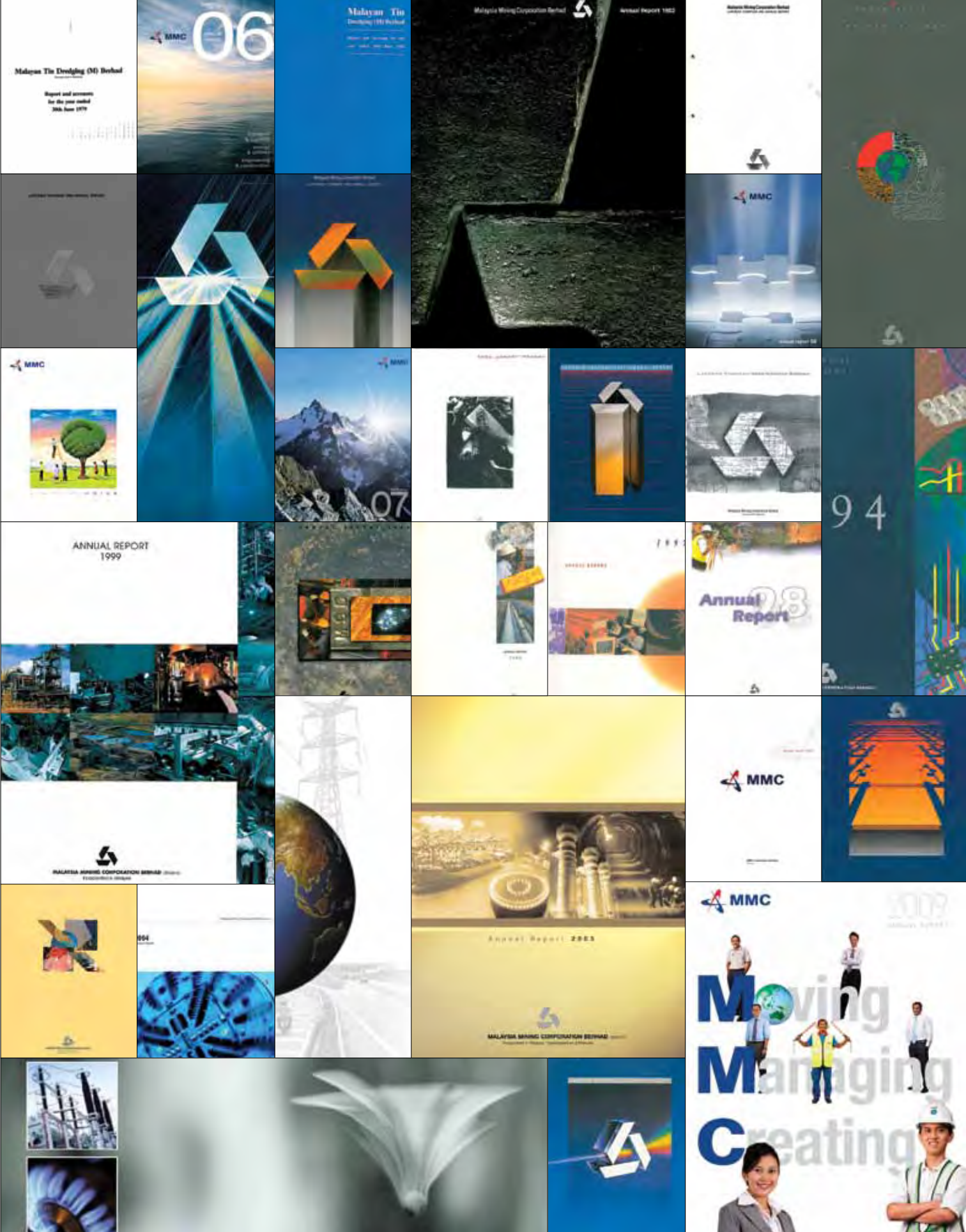
There were no contracts relating to loans by the Company involving directors and major shareholders.

Revaluation of Landed Property

The Company does not have a revaluation policy on landed properties.

FINANCIAL STATEMENTS

Directors' Report	78
Statement by Directors	82
Statutory Declaration	82
Independent Auditors' Report	83
Statement of Comprehensive Income	85
Consolidated Statement of Financial Position	87
Company Statement of Financial Position	89
Consolidated Statement of Changes In Equity	90
Company Statement of Changes In Equity	94
Statement of Cash Flows	95
Summary of Significant Accounting Policies	99
Notes to The Financial Statements	128



DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are shown in Note 47 to the financial statements.

There are no significant changes in the nature of the activities of the Group and Company during the financial year.

FINANCIAL RESULTS

	<u>Group</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>
Net profit for the financial year	802,412	414,998
Attributable to:		
Owners of the Parent	344,940	414,998
Non-controlling interest	457,472	-
	<u>802,412</u>	<u>414,998</u>

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2009 are as follows:

	<u>RM'000</u>
In respect of the financial year ended 31 December 2009, as shown in the Directors' report of that financial year, a final single-tier dividend of 3.0 sen per ordinary share, were paid on 27 May 2010	<u>91,352</u>

The Directors recommend the payment of a final single-tier dividend of 3.5 sen per share on the 3,045,058,552 ordinary shares, amounting to RM106,577,049 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 15 June 2011 to shareholders registered on the Company's Register of Members at the close of business on 31 May 2011.

DIRECTORS

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

Dato' Wira Syed Abdul Jabbar bin Syed Hassan, Chairman

Datuk Hj Hasni Harun

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

Dato' Abdullah bin Mohd Yusof

Datuk Mohd Sidik Shaik Osman

Encik Ooi Teik Huat

Encik Abdul Hamid Sh Mohamed

Encik Feizal Ali (resigned effective 3 May 2010)

Encik Ahmad Jauhari bin Yahya (resigned effective 15 December 2010)

In accordance with Article 78 of the Company's Articles of Association, Encik Ooi Teik Huat and Datuk Hj Hasni Harun will retire by rotation and, being eligible, offer themselves for re-election.

Dato' Wira Syed Abdul Jabbar bin Syed Hassan and Dato' Abdullah bin Mohd Yusof will retire pursuant to Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting and that a separate resolution will be proposed for their re-appointment as Directors at the Annual General Meeting under the provision of Section 129(6) of the said Act, to hold office until the next Annual General Meeting of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments and benefit-in-kind received or due and receivable by Directors or the fixed salary of a full time employee of the Company and its related corporations as disclosed in Note 9(ii) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of impaired receivables and the making of allowance for impaired receivables and satisfied themselves that all known impaired receivables had been written off and that adequate allowance had been made for impaired receivables; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for impaired receivables or the amount of the allowance for impaired receivables in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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

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

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

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

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than impairment losses of property, plant and equipment and intangible asset in an associate as disclosed in Note 9(i) to the financial statements;
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2011.

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN
CHAIRMAN

DATUK HJ HASNI HARUN
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Wira Syed Abdul Jabbar bin Syed Hassan and Datuk Hj Hasni Harun, two of the Directors of MMC Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 85 to 210 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2010 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The information set out in Note 52 on page 211 to the financial statement have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 21 March 2011.

DATO' WIRA SYED ABDUL JABBAR BIN SYED HASSAN
CHAIRMAN

DATUK HJ HASNI HARUN
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Anwar Syahrin bin Abdul Ajib, the officer primarily responsible for the financial management of MMC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 85 to 210 and the supplementary disclosure on page 211 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ANWAR SYAHRIN BIN ABDUL AJIB

Subscribed and solemnly declared by the abovenamed Anwar Syahrin bin Abdul Ajib

At: Kuala Lumpur

On: 21 March 2011

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MMC Corporation Berhad on pages 85 to 210 which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 51.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Financial Reporting Standards in Malaysia, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up 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 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245 H) (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 47 to the financial statements.
- (c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 52 on page 211 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

Kuala Lumpur

21 March 2011

YEE WAI YIN

(No. 2081/08/12 (J))

Chartered Accountant

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Company	
		2010	2009	2010	2009
		RM'000	RM'000 (Restated)	RM'000	RM'000
Revenue	6	8,863,649	8,444,321	694,217	559,628
Cost of sales	7	(5,756,735)	(5,451,414)	-	(4,771)
Gross profit		3,106,914	2,992,907	694,217	554,857
Other operating income					
- items relating to investments		225,354	280	39,546	-
- others		224,105	340,432	3,631	2,196
Administrative expenses	7	(686,455)	(698,683)	(75,760)	(56,503)
Other operating expenses	7	(506,493)	(444,821)	(70,038)	(2,643)
Finance costs	8	(1,455,336)	(1,398,507)	(161,359)	(119,186)
Share of results of:					
- associates		(119,264)	(150,969)	-	-
- jointly controlled entities		66,923	40,987	-	-
Profit before zakat and taxation	9	855,748	681,626	430,237	378,721
Zakat expense	10	(1,236)	-	(1,236)	-
Tax expense	11	(52,100)	(58,362)	(14,003)	(30,435)
Net profit for the financial year		802,412	623,264	414,998	348,286
Other comprehensive income :					
Available-for-sale financial assets					
- fair value gains		24,131	51,706	-	-
- disposals		(196,698)	-	-	-
Movement in associate's capital reserve		14,615	4,162	-	-
Currency translation differences		(31,557)	668	-	-
Disposal of a subsidiary		(4,649)	-	-	-
Other comprehensive income for the financial year (net of tax)		(194,158)	56,536	-	-
Total comprehensive income for the financial year		608,254	679,800	414,998	348,286

The notes on pages 99 to 210 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Note	Group		Company	
		2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Profit attributable to:					
- Owners of the Parent		344,940	233,614	414,998	348,286
- Non-controlling interest		457,472	389,650	-	-
		<u>802,412</u>	<u>623,264</u>	<u>414,998</u>	<u>348,286</u>
Total comprehensive income attributable to:					
- Owners of the Parent		155,187	290,150	414,998	348,286
- Non-controlling interest		453,067	389,650	-	-
		<u>608,254</u>	<u>679,800</u>	<u>414,998</u>	<u>348,286</u>
Earnings per ordinary share attributable to the equity holders of the Company (sen):					
- Basic	12	11.3	7.7		
- Diluted	12	<u>11.3</u>	<u>7.7</u>		
Dividend per ordinary share (sen):					
- Proposed final	13	<u>3.5</u>	<u>3.0</u>	<u>3.5</u>	<u>3.0</u>

The notes on pages 99 to 210 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	<u>Note</u>	<u>2010</u> RM'000	<u>2009</u> RM'000 (Restated)	<u>2008</u> RM'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	16,705,775	17,051,145	16,324,318
Prepaid lease payments		19,238	19,638	18,731
Investment properties	15	30,778	31,319	32,492
Investments in associates	17	1,163,040	1,615,285	1,970,415
Investments in jointly controlled entities	18	219,281	265,911	346,953
Other investments	19	-	-	-
Available-for-sale financial assets	20	8,412	-	-
Property development expenditure	21	1,917,196	1,940,028	40,648
Other receivables	23	4,214	6,792	8,244
Intangible assets	24	7,979,958	8,375,604	8,415,862
Deferred expenditure	25	-	17,533	-
Deferred tax assets	26	670,503	542,011	417,315
		28,718,395	29,865,266	27,574,978
CURRENT ASSETS				
Inventories	27	585,289	638,416	674,426
Non-current assets held for sale	28	103	541	-
Trade and other receivables	29	2,227,814	1,813,263	2,217,978
Tax recoverable		337,014	206,914	140,783
Amount due from holding company	30	5,518	7,518	13,780
Available-for-sale financial assets	20	81,868	-	-
Marketable securities	31	-	61,237	61,237
Deposits, bank and cash balances	32	4,062,543	4,492,832	3,766,281
		7,300,149	7,220,721	6,874,485
TOTAL ASSETS		36,018,544	37,085,987	34,449,463

The notes on pages 99 to 210 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010 (CONTINUED)

	<u>Note</u>	<u>2010</u> RM'000	<u>2009</u> RM'000 (Restated)	<u>2008</u> RM'000 (Restated)
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Share capital	33	304,506	304,506	304,506
Reserves	34	6,289,766	5,994,176	5,834,792
		<u>6,594,272</u>	<u>6,298,682</u>	<u>6,139,298</u>
Non-controlling interests		3,808,956	3,460,519	3,221,439
Total equity		<u>10,403,228</u>	<u>9,759,201</u>	<u>9,360,737</u>
NON-CURRENT LIABILITIES				
Redeemable preference shares	35	136,467	134,563	128,774
Redeemable convertible subordinated loans	36	-	158,355	158,355
Redeemable convertible unsecured loan stocks	37	-	36,930	38,419
Borrowings	38	15,974,676	18,359,545	17,202,997
Land lease received in advance	39	162,264	171,851	198,204
Provision for retirement benefits	40(c)	53,748	48,063	44,327
Deferred income	41	99,439	56,739	-
Deferred tax liabilities	26	3,511,746	3,537,840	3,106,555
Trade and other payables	40	24,654	133,326	-
		<u>19,962,994</u>	<u>22,637,212</u>	<u>20,877,631</u>
CURRENT LIABILITIES				
Borrowings	38	3,991,739	2,559,153	2,278,454
Trade and other payables	40	1,594,123	2,084,469	1,895,443
Taxation		40,409	45,952	37,198
Redeemable convertible unsecured loan stocks	37	26,051	-	-
		<u>5,652,322</u>	<u>4,689,574</u>	<u>4,211,095</u>
TOTAL LIABILITIES		<u>25,615,316</u>	<u>27,326,786</u>	<u>25,088,726</u>
TOTAL EQUITY AND LIABILITIES		<u>36,018,544</u>	<u>37,085,987</u>	<u>34,449,463</u>

The notes on pages 99 to 210 are an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	<u>Note</u>	<u>2010</u> RM'000	<u>2009</u> RM'000 (Restated)	<u>2008</u> RM'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	8,260	8,469	10,206
Investments in subsidiaries	16	7,581,403	7,632,141	6,228,260
Investments in associates	17	139,037	156,637	156,637
Investments in jointly controlled entities	18	5,001	5,001	5,001
Amounts due from subsidiaries	22	-	959,010	658,313
		<u>7,733,701</u>	<u>8,761,258</u>	<u>7,058,417</u>
CURRENT ASSETS				
Trade and other receivables	29	90,571	108,313	458,879
Tax recoverable		67,404	27,098	7,057
Amounts due from subsidiaries	22	1,089,347	-	-
Amount due from holding company	30	5,518	7,518	13,780
Deposits, bank and cash balances	32	95,405	127,416	64,971
		<u>1,348,245</u>	<u>270,345</u>	<u>544,687</u>
TOTAL ASSETS		<u><u>9,081,946</u></u>	<u><u>9,031,603</u></u>	<u><u>7,603,104</u></u>
EQUITY AND LIABILITIES				
Share capital	33	304,506	304,506	304,506
Reserves	34	4,710,293	4,386,647	4,114,487
Total equity		<u>5,014,799</u>	<u>4,691,153</u>	<u>4,418,993</u>
NON-CURRENT LIABILITIES				
Amounts due to subsidiaries	22	535,668	896,529	1,327,482
Borrowings	38	1,496,750	2,686,665	1,556,772
		<u>2,032,418</u>	<u>3,583,194</u>	<u>2,884,254</u>
CURRENT LIABILITIES				
Borrowings	38	2,012,788	737,127	275,365
Trade and other payables	40	21,941	20,129	24,492
		<u>2,034,729</u>	<u>757,256</u>	<u>299,857</u>
TOTAL LIABILITIES		<u>4,067,147</u>	<u>4,340,450</u>	<u>3,184,111</u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,081,946</u></u>	<u><u>9,031,603</u></u>	<u><u>7,603,104</u></u>

The notes on pages 99 to 210 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Attributable to owners of the Parent Non-distributable			
	<u>Note</u>	<u>Share capital RM'000</u>	<u>Share premium RM'000</u>	<u>Foreign exchange reserve RM'000</u>	<u>Revaluation reserve RM'000</u>
At 1 January 2010		304,506	2,039,770	506	1,219,271
Effects of changes in accounting policies					
- FRS 139	4(i)	-	-	-	-
Prior year adjustments	5(a)(ii)	-	-	-	-
As restated		304,506	2,039,770	506	1,219,271
Net profit for the financial year		-	-	-	-
Other comprehensive income:					
Disposal of a subsidiary		-	-	-	-
Disposal of investments		-	-	-	-
Share of movement in associates' reserves		-	-	-	-
Movement in value of investment		-	-	-	-
Currency translation differences		-	-	(31,557)	-
Total other comprehensive income		-	-	(31,557)	-
Total comprehensive income for the year		304,506	2,039,770	(31,051)	1,219,271
Transactions with owners:					
Transfer to capital reserve		-	-	-	-
Issuance of shares by a subsidiary upon conversion of redeemable convertible subordinated loans		-	-	-	-
Issuance of shares by a subsidiary upon conversion of redeemable convertible unsecured loan stocks		-	-	-	-
Investment in a subsidiary		-	-	-	-
Dividend for financial year ended 31 December 2009	13	-	-	-	-
Dividend paid to non-controlling shareholders		-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2010		304,506	2,039,770	(31,051)	1,219,271

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

The notes on pages 99 to 210 are an integral part of these financial statements

Attributable to owners of the Parent		Distributable			Non-controlling interests	Total equity
Non-distributable						
<u>Available-for-sale financial assets</u>	<u>Capital reserves</u>	<u>*Capital reserves</u>	<u>Retained earnings</u>	<u>Total</u>		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
16,104	68,649	370,876	2,282,097	6,301,779	3,460,519	9,762,298
264,440	-	-	(37,790)	226,650	(37,717)	188,933
-	-	-	(3,097)	(3,097)	-	(3,097)
280,544	68,649	370,876	2,241,210	6,525,332	3,422,802	9,948,134
-	-	-	344,940	344,940	457,472	802,412
-	-	(244)	-	(244)	(4,405)	(4,649)
(196,698)	-	-	-	(196,698)	-	(196,698)
17,300	14,615	-	-	31,915	-	31,915
6,831	-	-	-	6,831	-	6,831
-	-	-	-	(31,557)	-	(31,557)
(172,567)	14,615	(244)	-	(189,753)	(4,405)	(194,158)
107,977	83,264	370,632	2,586,150	6,680,519	3,875,869	10,556,388
-	-	2,300	(2,300)	-	-	-
-	-	-	-	-	158,355	158,355
-	-	2,932	2,173	5,105	6,459	11,564
-	-	-	-	-	10	10
-	-	-	(91,352)	(91,352)	-	(91,352)
-	-	-	-	-	(231,737)	(231,737)
-	-	5,232	(91,479)	(86,247)	(66,913)	(153,160)
107,977	83,264	375,864	2,494,671	6,594,272	3,808,956	10,403,228

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Note	Attributable to owners of the Parent			
		Non-distributable			
		Share	Share	Foreign	Revaluation
		capital	premium	exchange	reserve
		RM'000	RM'000	RM'000	RM'000
At 1 January 2009		304,506	2,039,770	139	1,219,271
Prior year adjustments		-	-	(301)	-
As restated		304,506	2,039,770	(162)	1,219,271
Net profit for the financial year		-	-	-	-
Other comprehensive income:					
Share of movement in associates' reserves		-	-	-	-
Currency translation differences		-	-	668	-
Total other comprehensive income		-	-	668	-
Total comprehensive income for the year		304,506	2,039,770	506	1,219,271
Transactions with owners:					
Transfer to capital reserve		-	-	-	-
Redemption of subsidiary's redeemable convertible preference shares		-	-	-	-
Issuance of shares by a subsidiary upon conversion of redeemable convertible unsecured loan stocks		-	-	-	-
Acquisition through business combination		-	-	-	-
Dividend for financial year ended 31 December 2008	13	-	-	-	-
Dividend paid to non-controlling shareholders		-	-	-	-
Total transactions with owners		-	-	-	-
At 31 December 2009		304,506	2,039,770	506	1,219,271

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

Attributable to owners of the Parent		Distributable			Non-controlling interests	Total equity
Non-distributable						
Available-for-sale financial assets	Capital reserves	*Capital reserves	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(34,444)	63,329	422,783	2,098,675	6,114,029	3,245,997	9,360,026
-	-	-	25,570	25,269	(24,558)	711
(34,444)	63,329	422,783	2,124,245	6,139,298	3,221,439	9,360,737
-	-	-	233,614	233,614	389,650	623,264
51,706	4,162	-	-	55,868	-	55,868
-	-	-	-	668	-	668
51,706	4,162	-	-	56,536	-	56,536
17,262	67,491	422,783	2,357,859	6,429,448	3,611,089	10,040,537
-	-	3,140	(3,140)	-	-	-
-	-	(41,160)	-	(41,160)	-	(41,160)
-	-	(726)	407	(319)	2,687	2,368
-	-	(13,161)	-	(13,161)	17,226	4,065
-	-	-	(76,126)	(76,126)	-	(76,126)
-	-	-	-	-	(170,483)	(170,483)
-	-	(51,907)	(78,859)	(130,766)	(150,570)	(281,336)
17,262	67,491	370,876	2,279,000	6,298,682	3,460,519	9,759,201

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Note	Non-distributable			Distributable		Total
	Share capital	Share premium	**Capital reserves	*Capital reserves	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2010	304,506	2,039,770	59,710	243,074	2,044,093	4,691,153
Net profit for the financial year	-	-	-	-	414,998	414,998
Dividend for the financial year ended 31 December 2009	13	-	-	-	(91,352)	(91,352)
At 31 December 2010	304,506	2,039,770	59,710	243,074	2,367,739	5,014,799

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

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

Note	Non-distributable			Distributable		Total
	Share capital	Share premium	**Capital reserves	*Capital reserves	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2009	304,506	2,039,770	59,710	243,074	1,771,933	4,418,993
Net profit for the financial year	-	-	-	-	348,286	348,286
Dividend for the financial year ended 31 December 2008	13	-	-	-	(76,126)	(76,126)
At 31 December 2009	304,506	2,039,770	59,710	243,074	2,044,093	4,691,153

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

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
OPERATING ACTIVITIES				
Profit before zakat and taxation	855,748	681,626	430,237	378,721
Adjustments for:				
Depreciation of property, plant and equipment	788,529	734,763	1,617	1,837
Depreciation of investment properties	504	202	-	-
Amortisation of prepaid lease payments	403	393	-	-
Amortisation of land lease received in advance	(11,400)	(9,950)	-	-
Impairment loss of property, plant and equipment	60,143	447	-	-
Impairment loss of investment properties	-	332	-	-
Impairment loss of intellectual property	6,399	-	-	-
Impairment loss on goodwill on consolidation	3,458	-	-	-
Impairment loss on marketable securities	31	-	-	-
Impairment loss on intangible assets in an associate	197,929	123,221	-	-
Impairment in cost of investment in associates	4,353	14,972	-	-
Amortisation of Rights on Power Purchase Agreement and Operations and Maintenance Agreement arising through business combinations:				
- subsidiaries	395,327	393,343	-	-
- associate	38,746	38,247	-	-
Amortisation of development expenditure and intellectual property	267	267	-	-
Amortisation of rights for water treatment business	3,532	3,532	-	-
Amortisation of rights for airport business	4,196	2,530	-	-
Allowance for impaired receivables	19,933	37,784	-	-
Allowance for impaired receivables for amounts due from subsidiaries	-	-	38	764
Loss/ (gain) on disposal of:				
- subsidiaries (Notes 16(a)&(b))	1,764	-	(714)	-
- associated companies	(45,891)	(439)	(38,832)	-
Gain on liquidation of subsidiaries	-	(280)	-	-
Gain on disposal of property, plant and equipment	(781)	(28,540)	(51)	(30)
Gain on disposal of available-for-sale financial assets	(181,227)	-	-	-
Gain on disposal of other non-current assets	(15,432)	(87)	-	-
Write-off of property, plant and equipment	223	10,941	-	-
Write-back of allowance for impaired receivables	(45,657)	(48,219)	-	-

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Write-off of project cost	-	-	-	1,863
Write-off of amount due from a subsidiary	-	-	70,000	-
Amortisation of Redeemable Convertible Unsecured Loan Stocks	486	833	-	-
Amortisation of deferred income	(33,276)	(14,616)	-	-
Amortisation of deferred expenditure	-	2,467	-	-
Dividend income	(3,448)	(7,368)	(580,467)	(402,510)
Distribution from jointly controlled entities	-	-	(113,750)	(154,247)
Interest income	(172,836)	(158,667)	(3,448)	(1,232)
Interest expense	1,455,336	1,398,507	161,359	119,186
Share of results in:				
- associates	119,264	150,969	-	-
- jointly controlled entities	(66,923)	(40,987)	-	-
Net unrealised loss on foreign exchange	2,734	1,348	457	10
Provision for retirement benefits	8,565	5,440	-	-
Fair value gain on financial instruments	(68,377)	-	-	-
	3,322,622	3,293,011	(73,554)	(55,638)
Changes in working capital:				
Inventories	53,127	36,010	-	-
Trade and other receivables	(386,624)	24,603	(662)	8,690
Trade and other payables	(523,325)	(158,583)	1,812	(4,363)
Cash generated from/(used in) operations	2,465,800	3,195,041	(72,404)	(51,311)
Designated accounts and pledged deposits withdrawn	1,793	148	-	-
Income tax paid	(329,640)	(300,798)	(24,308)	(18,102)
Zakat paid	(1,236)	-	(1,236)	-
Land lease received in advance	13,218	13,895	-	-
Retirement benefits paid (Note 40(c))	(3,102)	(3,719)	-	-
One off payment in lieu of windfall profit levy paid	(86,930)	(86,932)	-	-
Net cash flow generated from/(used in) operating activities	2,059,903	2,817,635	(97,948)	(69,413)

The notes on pages 99 to 210 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
INVESTING ACTIVITIES				
Additional investment in jointly controlled entity	-	(32,218)	-	-
Acquisition through business combination	-	(1,278,137)	-	(1,369,917)
New investment in subsidiary / proceeds received from non-controlling interest on incorporation of a subsidiary	10	-	(15)	-
Redemption of Redeemable Unquoted Loan Stocks in a subsidiary	12,500	8,000	-	-
Dividends received from:				
- subsidiaries	-	-	548,968	370,134
- associates	94,575	91,132	-	-
- others	3,448	7,368	-	-
Distribution received from jointly controlled entities	113,750	154,247	113,750	154,247
Interest received	172,836	158,667	3,448	1,232
Proceeds from sale of:				
- a subsidiary (Notes 16(a)&(b))	10,126	-	822	-
- associates	60,113	52,908	56,432	-
- available-for-sale financial assets	226,726	-	-	-
Purchases of shares in subsidiaries	-	-	-	(42,500)
Redemption of Redeemable Convertible Preference Shares in a subsidiary	-	-	-	42,840
Proceeds from sale of :				
- property, plant and equipment	1,229	36,196	84	400
- other non-current assets	43,795	8,342	-	-
Purchases of :				
- property, plant and equipment (Note 14)	(504,188)	(725,225)	(1,441)	(470)
- investment properties (Note 15)	(66)	(30)	-	-
Additional property development expenditure (Note 21)	(46,180)	(19,647)	-	-
Additional prepaid lease payments	(3)	(1,300)	-	-
Repayment of lease received in advance	-	(20,725)	-	-
Net cash flow generated from/(used in) investing activities	188,671	(1,560,422)	722,048	(844,034)

The notes on pages 99 to 210 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Note	Group		Company	
		2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
FINANCING ACTIVITIES					
Dividends paid		(91,352)	(76,126)	(91,352)	(76,126)
Dividends paid to non-controlling interests of subsidiaries		(231,737)	(170,483)	-	-
Interest paid		(1,455,336)	(1,398,507)	(161,359)	(119,186)
Repayment from holding company		-	-	2,000	6,262
Advances to subsidiaries		-	-	(491,146)	(426,713)
Borrowings:					
- new drawdown		1,812,033	2,890,308	1,104,124	1,882,521
- repayment		(2,770,527)	(1,805,349)	(1,018,378)	(290,866)
Redemption of preference shares in a subsidiary		-	(41,160)	-	-
Government grant received	41	84,635	71,355	-	-
Net cash flow (used in)/generated from financing activities		(2,652,284)	(529,962)	(656,111)	975,892
Net change in cash and cash equivalents		(403,710)	727,251	(32,011)	62,445
Foreign exchange differences		(31,557)	668	-	-
Cash and cash equivalents at beginning of financial year		4,474,357	3,746,438	127,416	64,971
Cash and cash equivalents at end of financial year		4,039,090	4,474,357	95,405	127,416
Cash and cash equivalents comprise:					
Cash and bank balances	32	191,069	420,448	2,170	764
Deposits	32	3,871,474	4,072,384	93,235	126,652
Bank overdrafts	38	(7,487)	(716)	-	-
		4,055,056	4,492,116	95,405	127,416
Less:					
Designated accounts	38(ii)	(1)	(1)	-	-
Deposits pledged for banking facilities		(15,965)	(17,758)	-	-
		4,039,090	4,474,357	95,405	127,416

Included in the deposits of the Group are:

- (a) an amount of RM1,000 (2009: RM1,000) being assigned as Designated Accounts for the loans as disclosed in Note 38(ii); and
- (b) deposits of RM16.0 million (2009: RM17.8 million) which are pledged for certain banking facilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The following accounting policies are adopted by the Group and Company and are consistent with those adopted in previous financial years, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and effective for the Group's and for the Company's financial year beginning on or after 1 January 2010 are as follows:

- FRS 8 "Operating Segment" (effective from 1 July 2009) replaces FRS 114²⁰⁰⁴ Segment Reporting. The new standard requires a 'management approach', under which segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.
- The revised FRS 101 "Presentation of financial statements" (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective (continued)

The Group and Company have elected to present this statement in one single statement.

Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present the statement of comprehensive income at the end of the current period and comparative period.

- FRS 123 “Borrowing costs” (effective from 1 January 2010) which replaces FRS 123²⁰⁰⁴, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139.
- FRS 132 “Financial Instruments: Presentation” – “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.
- The amendment to FRS 132 “Financial Instruments: Presentation” (effective from 1 January 2010) removes the transitional provision that exempted entities from applying the component part classification for a compound instrument issued before 1 January 2003. Upon adoption of FRS 139, entities are required to classify the compound financial instrument into its liability and equity elements.
- FRS 139 “Financial Instruments: Recognition and Measurement” (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.
- IC Interpretation 9 “Reassessment of Embedded Derivatives” (effective from 1 January 2010) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective (continued)

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the statement of comprehensive income.

The Group and Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and Company.

- FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
- FRS 7, amendment and improvement for FRS 7
- IC Interpretation 10 “Interim Financial Reporting and Impairment” (effective from 1 January 2010) prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent end of reporting period.
- IC Interpretation 14 “FRS 119 The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective from 1 January 2010) provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognized as an asset.

The following amendments were part of the Malaysian Accounting Standards Board’s (“MASB”) improvements project:

- FRS 5 “Non-current assets held for sale and discontinued operations”. Improvement effective from 1 January 2010 clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations.
- FRS 107 “Statement of cash flows” (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 “Events after the balance sheet date” (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective (continued)

- FRS 116 “Property, plant and equipments” (consequential amendment to FRS 107 “Statement of cash flows”) (effective from 1 January 2010) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- FRS 117 “Leases” (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

The land portion of the land and buildings leases have been reclassified from Prepaid Lease Payments to Property, plant and equipment.

- FRS 118 “Revenue” (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’.
- FRS 119 “Employee benefits” (effective from 1 January 2010) clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- FRS 120 “Accounting for government grants” (effective from 1 January 2010) clarifies that the benefit of a below market rate government loan is accounted for in accordance with FRS 120.
- FRS 127 “Consolidated & separate financial statements” (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.
- FRS 128 “Investments in associates” (effective from 1 January 2010) clarifies that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases.

(a) Basis of preparation (continued)

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and are effective (continued)

- FRS 128 “Investments in associates” and FRS 131 “Interests in joint ventures” (consequential amendments to FRS 132 “Financial instruments: Presentation” and FRS 7 “Financial instruments: Disclosure” (effective from 1 January 2010)) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7.
- FRS 134 “Interim financial reporting” (effective from 1 January 2010) clarifies that basic and diluted earnings per share (“EPS”) must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.
- FRS 136 “Impairment of assets” (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.
- FRS 138 “Intangible Assets”. Improvement effective from 1 January 2010 clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.
- FRS 140 “Investment property” (effective from 1 January 2010) requires assets under construction/development for future use as investment property to be accounted as investment property rather than property, plant and equipment. Where the fair value model is applied, such property is measured at fair value. However, where fair value is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and fair value becomes reliably measurable. It also clarifies that if a valuation obtained for an investment property held under lease is net of all expected payments, any recognised lease liability is added back in order to determine the carrying amount of the investment property under the fair value model.

Other than as disclosed in Note 4, the adoption of the above do not have significant impact to the Group’s and Company’s financial statements.

(ii) Standards early adopted by the Group and Company

There were no standards early adopted by the Group and Company.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective

The Group will apply the following new standards, amendments to standards and interpretations from annual period beginning on or after 1 January 2011 and beyond:

- The revised FRS 3 “Business combinations” (effective prospectively from 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed.
- The revised FRS 124 “Related party disclosures” (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities.
- The revised FRS 127 “Consolidated and separate financial statements” (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
- Amendments to FRS 7 “Financial instruments: Disclosures” and FRS 1 “First-time adoption of financial reporting standards” (effective from 1 January 2011) require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.
- The amendment to FRS 132 “Financial Instruments: Presentation” on classification of rights issues (effective 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated.

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

- IC Interpretation 4 “Determining whether an arrangement contains a lease” (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 “Leases” should be applied to the lease element of the arrangement.
- The improvement to IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.
- IC Interpretation 12 “Service concession arrangements” (effective from 1 July 2010) applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractual right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.
- IC Interpretation 15 “Agreements for construction of real estates” (effective from 1 January 2012) clarifies whether FRS 118 “Revenue” or FRS 111 “Construction Contracts” should be applied to particular transactions. It is likely to result in FRS 118 being applied to a wider range of transactions.
- IC Interpretation 18 “Transfers of assets from customers” (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Any corresponding credit is allocated to each separate service to be performed under the agreement. Revenue is recognised for each service in accordance with the recognition criteria of FRS 118 “Revenue”. This interpretation is to be applied prospectively to assets received from customer on or after 1 January 2011.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(a) Basis of preparation (continued)

(iii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective (continued)

- IC Interpretation 19 “Extinguishing financial liabilities with equity instruments” (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

Improvements to FRS:

- FRS 3 (effective from 1 January 2011)
 - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree’s net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair values unless another measurement basis is required by FRS.
 - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).
- FRS 5 “Non-current assets held for sale and discontinued operations”. Improvement effective from 1 July 2010 clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
- FRS 101 “Presentation of financial statements” (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- FRS 138 “Intangible Assets”. Improvement effective from 1 July 2010 clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.

Other than IC interpretation 4 and 12, the adoption of the above would not have any material impact to the Group and Company.

Management is in the midst of assessing the impact of IC interpretation 4 and 12 on the financial statements of the Group and Company.

(b) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to exercise control of the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

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

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

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

(c) Transactions with non-controlling shareholders

Prior to 1 January 2007, transactions with non-controlling shareholders were accounted for in accordance with MASB 11 (FRS127₂₀₀₄). For the accretion of the Group's interests in the subsidiary for cash and purchase price established at fair value, excess of purchase consideration over the fair value of assets acquired are recognised as goodwill or negative goodwill. Disposals to non-controlling shareholders for cash consideration and at fair value, the gains or losses arising are recorded in the statement of comprehensive income.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(c) Transactions with non-controlling shareholders (continued)

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

(d) Associates

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

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

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

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

(e) Jointly controlled entities

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

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

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

(f) Property, plant and equipment

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(g) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Accounting by lessee

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in statement of comprehensive income over the lease term on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income on the straight line basis over the lease period.

Following the adoption of the improvement to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Refer to Note 4 for the impact of this change in accounting policy.

(iii) Prepaid Lease payments

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

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

(h) Depreciation

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

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

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

Freehold properties / mining lease properties	50 years
Building and port structures	20 - 50 years
Power plant	21 years
C-inspection costs	3 years
Plant, machinery, dredges and other mining equipment	3 to 30 years
Pipeline system	30 years
Leasehold properties	20 - 101 years

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

(i) Investment properties

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

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

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

Investment property also includes properties that are under construction for future use as investment properties. These are also carried at fair value unless the fair value has yet to be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(i) Investment properties (continued)

This is different to previous years where properties under construction were accounted for at cost and classified as property, plant and equipment until construction was complete. Following the adoption of improvements to FRS 140 in the current financial year, investment properties under construction at 1 January 2010 is reclassified from property, plant and equipment to investment properties at their carrying amount. All fair value gains or losses, including those unrecognised fair value gains and losses (if the losses have not already been recognised through impairment) that arose prior to 1 January 2010, have been recognised in the profit or loss for the year as fair value gains or losses.

(j) Impairment of assets

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

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

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

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

(k) Investments

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

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

(l) Property development expenditure

Property development expenditure comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development expenditure not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the statement of comprehensive income over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the statement of comprehensive income is classified as progress billings within trade payables.

(m) Deferred expenditure

The deferred expenditure relates to concession fee payable by a subsidiary to the Government of Malaysia for the rights to operate, manage, and undertake future development of the Sultan Ismail Airport in Senai, Johor Darul Takzim. It is amortised on a straight line basis over its concession period of 50 years and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method for the deferred expenditure are reviewed at the end of each reporting period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(n) Goodwill

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

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

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

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

(p) Intellectual property

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

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

(q) Rights on Water Treatment Business

The Rights on Water Treatment Business are based on the fair value of the remaining useful lives of the concession agreement entered by a subsidiary for the privatisation of the operations, maintenance and rehabilitation of water treatment plants in Johor Darul Takzim, less accumulated amortisation and any accumulated impairment losses. The rights are amortised over the remaining useful lives of the concession period at the end of each reporting period until the end of concession on 31 May 2014.

(r) Rights on Airport Business

The Rights on Airport Business represent the right of a subsidiary to provide airport services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the airport as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised over the remaining useful lives of the concession period at the end of each reporting period until the end of concession on 30 October 2053.

(s) Construction, engineering and fabrication contracts

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

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

When the outcome of such contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract are compared against the progress billings up to the period end. Where cost incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amounts due from contract customers under trade and other receivables (within current assets). Where progress billings exceed cost incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to contract customers under trade and other payables (within current liabilities).

(t) Inventories

Inventories are stated at the lower of cost and net realisable value with cost being determined either on the first-in, first-out or weighted average cost basis depending on the type of inventories. Cost includes expenditure incurred in bringing the inventories to their present form and location. For work in progress and manufactured inventories, cost consists of materials, direct labour, other direct cost and an appropriate proportion of fixed and variable production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(u) Trade and other receivables

Trade receivables are amounts due from customers arising from billings in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(v) Cash and cash equivalents

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

(w) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(x) Government grants

Government grants are recognised initially at their fair value in the statement of financial position as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(y) Redeemable Convertible Unsecured Loan Stocks (“RCULS”)

RCULS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option is included in shareholder’s equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The differences between this amount and the interest paid are added to the carrying value of RCULS.

(z) Taxation

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

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

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

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

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

Tax rate enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

(aa) Land lease received in advance

Land lease received in advance relates to deferred income from sub-lease land and is recognised to the statement of comprehensive income equally over the period of the lease ranging from 17 to 60 years.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(ab) Employee benefits

(i) Short-term employee benefits

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

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

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

(ii) Defined benefit plans

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

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

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

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

An actuarial valuation is conducted by an independent actuary at regular intervals. The last valuation performed was on 31 December 2008 for Malakoff Corporation Berhad, (by Towers Watson Malaysia (formerly known as Watson Wyatt (Malaysia) Sdn Bhd)) and 8 December 2010 for Johor Port Berhad (by Mercer Zainal Consulting Sdn Bhd).

(ac) Revenue recognition

(i) Sales of goods and services

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales tax and discount and after eliminating sales within the Group.

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

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

(iii) Construction contracts

(a) Fixed price contracts

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

(b) Cost plus contracts

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

(c) Profit guarantee contracts

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

(iv) Port operations, repairing and cleaning containers

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

(v) Sales of gas

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

(vi) Toll operations

Revenue is recognised upon receipt of toll collections. Toll compensation is recognised when receipt is probable and the amount that is receivable can be measured reliably.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(ac) Revenue recognition (continued)

(vii) Water treatment activity

Revenue from water treatment activity is measured at the fair value of the consideration recoverable in accordance with the Concession Agreement (“CA”) dated 31 May 1994 entered into between a subsidiary company, Southern Water Corporation Sdn Bhd (“SWC”) and Syarikat Air Johor Sdn Bhd (“SAJ”) and it is recognised in the statement of comprehensive income when sale of treated water has been received by the buyer and it is probable that the economic benefits associated with the transaction will flow to the companies in the Group.

(viii) Airport activity

Income from airport operations and aviation related services in the airport are recognised when services are rendered.

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

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

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

(x) Dividend income

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

(xi) Interest income

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

(xii) Rental income

Rental income is recognised on an accruals basis.

(ad) Accounting for zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a subsidiary has been in operation for at least 12 months, i.e. for the period known as “haul”.

Zakat rates enacted or substantively enacted by the end of each reporting period are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for 2010 is 2.5% of the zakat base. The zakat base of the Group is determined based on the profit after tax of eligible companies within the Group after deducting dividend income and certain non operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the year in which it is incurred.

(ae) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(af) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or other financial assets from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Classification

The Group has changed its accounting policy for recognition and measurement of financial assets upon adoption of FRS 139 “Financial Instruments: Recognition and Measurement” on 1 January 2010. Previously, investment in non-current investments are shown at cost; marketable securities (within current assets) are carried at the lower of cost and market value; and trade receivables are carried at invoice amount. The Group has applied the new policy according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, in the current financial year. Refer to Note 4 for the impact of this change in accounting policy.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise ‘trade and other receivables’ and ‘cash and bank balances’ in the statement of financial position (Note 29 and 32 respectively).

(af) Financial instruments (continued)

(ii) Classification (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iv) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognized in profit or loss in the period in which changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(af) Financial instruments (continued)

(v) Subsequent measurement – Impairment on financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the assets is reduced and the amount of the loss is recognized in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(af) Financial instruments (continued)

(v) Subsequent measurement – Impairment on financial assets (continued)

Assets classified as available-for-sale (continued)

In the case of equity securities classified as available-for-sale, in addition to the criteria for ‘assets carried at amortised cost’ above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

The Group has changed its accounting policy for impairment for investments upon adoption of FRS 139 “Financial Instruments: Recognition and Measurement” on 1 January 2010.

Previously, for investments in non-current investments, allowance for diminution in value was made where, in the opinion of the Directors, there was a decline other than temporary in the value of such investments. Where there had been a decline other than temporary in the value of an investment, such a decline was recognised in profit or loss in the period in which the decline was identified. Marketable securities (within current assets) and other investments were carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business at the end of the reporting period. Changes in the carrying amount of marketable securities were credited/charged to profit or loss.

The Group has applied the new policy according to the transitional provision by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Refer to Note 4 for the impact of this change in accounting policy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(af) Financial instruments (continued)

(v) Subsequent measurement – Impairment on financial assets (continued)

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(ag) Contingent liabilities

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

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

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

(ah) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the working group consisting of Heads of Departments that makes strategic decisions.

The Group has adopted FRS 8 “Operating segments” from 1 January 2010. FRS 8 replaces FRS 114 “Segment reporting” and is applied retrospectively. The adoption of FRS 8 has resulted in further analysis to the Group’s earnings before interest, tax, depreciation and amortisation (“EBITDA”). There has been no impact on the measurement of the Group’s assets and liabilities.

(ai) Mining exploration expenditure

Expenditure on exploration and evaluation of mining areas of interest is charged to the statement of comprehensive income as incurred until such time as an area of interest reaches the stage where such expenditure is considered to be capable of being recouped through development or sale.

Where a mining area of interest is expected to proceed to commercial development or where its value is capable of recoupment through sale, the deferred expenditure relating to the expenditure incurred is credited to the statement of comprehensive income to the extent it reflects the present estimate of the recoverable value of the area of interest concerned. The accumulated expenditure attributable to an area of interest that is no longer considered to have any commercial value is written off against the deferred expenditure.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

1 CORPORATE INFORMATION

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

The principal activities of the subsidiaries are shown in Note 47 to the financial statements.

There is no significant change in the nature of these activities during the financial year, except as further disclosed in Note 16 to the financial statements.

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

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 21 March 2011.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

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

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

(i) Foreign currency exchange risk

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

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

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk factors (continued)

(ii) Interest rate risk

The Group's interest rate risk arises from the Group's borrowings and deposits denominated in Ringgit Malaysia, and are managed through the use of fixed and floating rates.

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

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

The impact on profit after tax attributable to shareholder of a 0.25% increase in weighted average interest rate would be an increase of RM55 million in finance costs.

(iii) Market risk

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

(iv) Credit risk

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

(v) Liquidity and cash flow risk

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

The following table analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk factors (continued)

(v) Liquidity and cash flow risk (continued)

At 31 December 2010

	Within 1 year	From 1 to 2 years	From 2 to 5 years	After 5 years	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000
Trade and other payables	1,594,123	6,841	6,400	11,413	1,618,777
Redeemable convertible unsecured loan stocks	26,051	-	-	-	26,051
Redeemable preference shares	-	-	68,431	68,036	136,467

The maturity profile of borrowings are stated under Note 38

(b) Capital risk management

The primary objective of the Group's capital management is to ensure that the Group would be able to continue as a going concern while maximising returns to shareholders.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2010 and 31 December 2009.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Goodwill impairment assessment

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

The recoverable amounts of the Port Business, Electricity Generation Business and Airport Operations; Cash Generating Units (“CGUs”) respectively, were determined based on the value in use calculations. The calculations require the use of estimates and judgements as set out in Note 24(A) Port Business, Note 24(B) Electricity Generation Business and Note 24(C)(i) Airport Operations; to the financial statements.

(b) Residual value of power plants

The Group charges depreciation on its depreciable property, plant and equipment based on the useful life and residual values of the assets. Estimating the useful life and residual values of property, plant and equipment involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the end of each reporting period. The actual useful life and residual value of the assets however, may be different from expected.

The Power Purchase Agreements (“PPA”) provides for the disposal of the power plants at the end of the initial concession period, in the event it is not extended. In assessing the appropriateness of the residual values adopted, management considered the recoverable values of the assets based on Discounted Cash Flow method (“DCF”). The discounted cash flow are derived using the following critical assumptions:

- (1) Minimum extension of five years of the PPA at the end of the initial concession period, in view of:
 - (i) limited new power plants being constructed;
 - (ii) increase in demand for power; and
 - (iii) TNB’s continued reliance on Independent Power Producers (“IPPs”).
- (2) An estimated Variable Operating Rate (“VOR”) during the extension period which management deems to be reasonable based on the expected demand and the VOR rate at the end of the PPA;
- (3) An average despatch factor of 72% and 75% to reflect the future demand for power by the industry; and
- (4) The discount rate used is 7.5%.

If the recoverable amount at the end of the concession period is nil, there will be additional depreciation charge and impairment to property, plant and equipment of the Group. In addition, there will also be impairment to the goodwill and intangible assets. Refer to Note 24(B) on the impairment assessment of goodwill arising from the electricity generation business.

At Company level, the impact, had the residual value been nil, will be impairment on the cost of investment in the subsidiary, Malakoff Corporation Berhad.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

4 IMPACT OF CHANGES IN ACCOUNTING POLICIES

The significant accounting policies, method of computation and basis of consolidation applied in the financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009 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 2010:

- FRS 3 - Business Combinations (revised)
- FRS 7 - Financial Instruments: Disclosures
- FRS 8 - Operating Segments
- FRS 101 - Presentation of Financial Statements (revised)
- FRS 123 - Borrowing Costs
- FRS 139 - Financial Instruments: Recognition and Measurement

- IC Int.9 - Reassessment of Embedded Derivatives
- IC Int.10 - Interim Financial Reporting and Impairment
- IC Int.14 - FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoptions of the above FRSs do not have significant financial impact to the Group except for the adoption of the following standards as set out below:

(a) FRS 101(revised): Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The effects of the change in presentation are as follows:

- The gains that were recognised directly in equity in the preceding year corresponding period are presented as components in other comprehensive gain in the statement of comprehensive income.
- The total comprehensive gain for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests.

4 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Amendment to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold land and building were treated as operating leases. The considerations paid were classified and presented as prepaid land and building lease payments in the statement of financial position.

With the adoption of the Amendment to FRS 117, the classification of a leasehold land and building as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. In making this judgement, the management has concluded that land and building with an initial lease period of 50 years or more are finance leases because the present value of the minimum lease payments (i.e. the consideration paid or payable) is substantially equal to the fair value of the land and building.

(c) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from adoption of FRS 139 are as follows:

(1) Available-For-Sale Financial Assets

Equity instruments

Available-for-sale financial assets are measured at fair value initially and subsequently carried at fair value.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Prior to 1 January 2010, the Group classified its investments in marketable securities and other investments which were held for non-trading purposes. Such investments were carried at cost less impairment losses.

(2) Borrowings

Borrowings are initially measured at fair value including directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gain and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised or through the amortisation process.

Prior to 1 January 2010, borrowings are stated at cost after deducting transaction costs.

In accordance with the transitional provisions for the first time adoption of FRS 139, the above changes in accounting policy have been accounted for prospectively and the comparatives are not restated. The effects of the changes on 1 January 2010 have been accounted for by adjusting the opening balances in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

4 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The following Notes (i) to (iii) disclose the impacts of such changes on the financial statements of the Group and Company.

(i) Impact on the Group's statements of financial position

	Balances as at 31 December 2008		
	<u>As previously reported</u>	<u>FRS 117</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
Property, plant and equipment	15,692,290	632,028	16,324,318
Prepaid lease payments	650,759	(632,028)	18,731

	Balances as at 31 Dec 2009			Balances as at 1 January 2010	
	<u>As previously reported</u>	<u>FRS 117</u>	<u>As restated</u>	<u>FRS 139</u>	<u>As adjusted</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment (Note 5(a)(ii))	16,223,530	1,113,990	17,337,520	-	17,337,520
Prepaid lease payments	1,133,628	(1,113,990)	19,638	-	19,638
Other assets	6,792	-	6,792	(1,600)	5,192
Available-for-sale financial assets	-	-	-	325,677	325,677
Marketable securities (Note 31)	61,237	-	61,237	(61,237)	-
Trade and other payables	2,104,981	-	2,104,981	8,218	2,113,199
Redeemable preference shares (Note 35)	114,051	-	114,051	(2,128)	111,923
Borrowings	20,918,698	-	20,918,698	67,817	20,986,515
Reserves (Note 5(a)(ii))	5,997,273	-	5,997,273	226,650	6,223,923
Non-controlling interests	3,460,519	-	3,460,519	(37,717)	3,422,802

4 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's statements of financial position (continued)

	<u>Increase/(decrease) to balances as at 31 December 2010</u>
	<u>FRS 139</u>
	<u>RM'000</u>
Other assets	(1,600)
Available-for-sale financial assets (Note 20)	90,280
Marketable securities (Note 31)	(61,237)
Redeemable preference shares	(2,128)
Borrowings	<u>67,817</u>

(ii) Impact on the Group's statement of comprehensive income

	<u>Increase/(decrease) for the financial year ended 31 December 2010</u>
	<u>FRS 139</u>
	<u>RM'000</u>
Available-for-sale financial assets	
- Fair value gain	24,131
- Disposals	<u>(196,698)</u>

(iii) Impact on the Company's statements of financial position

	<u>Balances as at 31 December 2008</u>		
	<u>As previously</u>		<u>As restated</u>
	<u>reported</u>	<u>FRS 117</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Property, plant and equipment	5,650	4,556	10,206
Prepaid lease payments	4,556	(4,556)	-

	<u>Balances as at 31 December 2009</u>		
	<u>As previously</u>		<u>As restated</u>
	<u>reported</u>	<u>FRS 117</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Property, plant and equipment	3,970	4,499	8,469
Prepaid lease payments	4,499	(4,499)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

5 PRIOR YEAR ADJUSTMENTS

The Group has adjusted the comparative figures in accordance with the following:

(a) Finalisation of the Purchase Price Allocation (“PPA”) on the acquisition of Senai Airport Terminal Services Sdn Bhd (“SATS”)

Subsequent to the preliminary assessment made in the financial year ended 31 December 2009, the Group has finalised the PPA on the acquisition of SATS within the permitted 12 months period from the date of completion of the acquisition under FRS 3 “Business Combination”.

The difference between the preliminary assessment, as previously reported in the financial statements for the financial year ended 31 December 2009, and the final assessment in respect of the fair value of the net assets acquired, goodwill and cash flow arising from the acquisition is as follows:

	Preliminary assessment	Adjustment	Final Assessment
	RM’000	RM’000	RM’000
Group			
Property, plant and equipment	546,762	(91,847)	454,915
Prepaid lease payments	498,282	(192,929)	305,353
Property development expenditure	1,995,138	(112,138)	1,883,000
Intangible assets	-	168,909	168,909
Trade and other receivables	14,672	-	14,672
Cash and cash equivalents	91,780	-	91,780
Trade and other payables	(535,874)	-	(535,874)
Borrowings	(371,871)	-	(371,871)
Deferred tax liabilities	(580,666)	89,194	(491,472)
Fair value of net assets acquired	1,658,223	(138,811)	1,519,412
Goodwill on acquisition	51,694	138,811	190,505
Net consideration	1,709,917	-	1,709,917

The following tables disclose the adjustments that have been made arising from the final assessment above:

- (i) Summary of significant effects to Statement of comprehensive income for the financial year ended 31 December 2010.

	RM’000
Increase/(Decrease)	
Group	
Other operating expenses	(6,195)
Profit before taxation	(6,195)
Tax expense	1,549
Net profit for the financial year	(4,646)
Earnings per ordinary share (sen):	
- Basic	(0.2)

5 PRIOR YEAR ADJUSTMENTS (CONTINUED)

The following tables disclose the adjustments that have been made arising from the final assessment above: (continued)

(ii) Restatement of comparatives

Increase/(Decrease)	As previously reported	PPA finalisation	As restated
	RM'000	RM'000	RM'000
Group			
Statement of financial position			
Property, plant and equipment (Note 4(i))	17,337,520	(286,375)	17,051,145
Property development expenditure	2,052,166	(112,138)	1,940,028
Intangible assets	8,070,414	305,190	8,375,604
Reserves (Note 4(i))	5,997,273	(3,097)	5,994,176
Deferred tax liabilities	3,628,066	(90,226)	3,537,840
Statement of comprehensive income			
Other operating expenses	(440,692)	(4,129)	(444,821)
Profit before taxation	685,755	(4,129)	681,626
Tax expense	(59,394)	1,032	(58,362)
Net profit for the financial year	626,361	(3,097)	623,264
Profit attributable to equity holders of the Company	236,711	(3,097)	233,614
Earnings per ordinary shares (sen) :			
- Basic	7.8	(0.1)	7.7
- Diluted	7.8	(0.1)	7.7
Statement of changes in equity			
Retained earnings	2,282,097	(3,097)	2,279,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

6 REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Electricity generation	5,345,760	5,138,359	-	-
Sale of goods and gas	1,873,160	1,818,162	-	-
Port operations	1,214,450	1,117,587	-	-
Airport operations	26,874	16,486	-	-
Contract revenue	115,106	126,777	-	2,871
Services	197,499	209,348	-	-
Property lease	87,352	10,234	-	-
Dividends (Note 9(i))	3,448	7,368	580,467	402,510
Distributions from jointly controlled entities	-	-	113,750	154,247
	<u>8,863,649</u>	<u>8,444,321</u>	<u>694,217</u>	<u>559,628</u>

7 EXPENSES BY NATURE

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cost of sales				
Cost of electricity generation	3,333,869	3,367,100	-	-
Cost of goods and gas sold	1,372,116	1,367,790	-	-
Cost of port operations	563,581	530,635	-	-
Cost of airport operations	1,070	15,231	-	-
Contract cost recognised as an expense	72,351	82,003	-	4,771
Cost of services	340,809	88,655	-	-
Cost of property lease	72,939	-	-	-
	<u>5,756,735</u>	<u>5,451,414</u>	<u>-</u>	<u>4,771</u>

7 EXPENSES BY NATURE (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Administrative and other operating expenses				
Consultant and professional fee	43,591	58,343	19,148	31,831
Depreciation, amortisation and impairment	554,944	384,790	1,617	1,837
Donations	100,000	75,000	30,000	-
Office administrative	65,803	60,872	-	-
Repair and maintenance	29,503	82,717	-	-
Rental expenses	11,446	7,467	-	-
Staff related costs	183,104	173,856	16,829	13,828
Utilities	6,565	6,950	-	-
Insurance, Cess fund and licenses	103,116	161,677	188	155
Write off amount due from a subsidiary	-	-	70,000	-
Others	94,876	131,832	8,016	11,495
	<u>1,192,948</u>	<u>1,143,504</u>	<u>145,798</u>	<u>59,146</u>
Total	<u>6,949,683</u>	<u>6,594,918</u>	<u>145,798</u>	<u>63,917</u>

Included in the cost of electricity generation is the amortisation of intangible assets relating to Rights on Power Purchase Agreement and Operation and Maintenance Agreement amounting to RM434 million (2009: RM432 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

8 FINANCE COST

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Al-Istisna Bonds	408,425	447,289	-	-
Medium Terms Notes	446,307	396,855	-	-
Term Loans	290,556	226,655	146,230	109,928
Junior Sukuk	171,256	153,000	-	-
Bai' Bithaman Ajil Islamic Debt Securities	46,085	53,807	-	-
Sukuk Ijarah Bonds	34,876	43,243	-	-
Redeemable Unsecured Loan Stocks	17,954	25,292	-	-
Commercial Papers	17,144	24,908	-	-
Others	22,733	27,458	15,129	9,258
	<u>1,455,336</u>	<u>1,398,507</u>	<u>161,359</u>	<u>119,186</u>

9 PROFIT BEFORE ZAKAT AND TAXATION

	Group		Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
(i) Profit before zakat and taxation is arrived at:				
After charging:				
Auditors' remuneration				
- Statutory audit				
- current year	561	540	110	100
- under accrual in prior year	-	8	-	8
- Other audit related services	443	561	366	364
- Non-audit services	-	709	-	269
Other auditors' remuneration				
- Statutory audit	565	478	-	-
- Non-audit services	1,511	1,686	-	-
Directors' fees (Note 9(ii))	937	928	482	628
Depreciation of property, plant and equipment (Note 14)	788,529	734,763	1,617	1,837
Depreciation of investment properties	504	202	-	-
Amortisation of prepaid lease payments	403	393	-	-
Allowance for impaired receivables	19,933	37,784	-	-
Allowance for impaired receivables for amount due from subsidiaries	-	-	38	764
Write off amount due from a subsidiary	-	-	70,000	-
Realised loss on foreign exchange	8	236	3	-
Unrealised loss on foreign exchange	2,927	1,605	457	10
Impairment loss of property, plant and equipment	60,143	447	-	-
Impairment loss on intellectual property	6,399	-	-	-
Impairment loss on goodwill on consolidation	3,458	-	-	-
Impairment loss of investment properties	-	332	-	-
Provision for retirement benefits (Note 40(c))	8,565	5,440	-	-
Hire of plant and machinery	83,691	71,545	-	-
Rent of land and buildings	67,044	70,665	1,653	1,581

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

9 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(i) Profit before zakat and taxation is arrived at: (continued)				
After charging: (continued)				
Impairment loss on intangible assets in an associate	197,929	123,221	-	-
Impairment in cost of investment in associates	4,353	14,972	-	-
Amortisation of Rights on Power Purchase Agreement and Operations and Maintenance Agreement arising through business combinations:				
- subsidiaries (Note 24)	395,327	393,343	-	-
- associate	38,746	38,247	-	-
Write-off of property, plant and equipment	223	10,941	-	-
Amortisation of development expenditure and intellectual property (Note 24)	267	267	-	-
Write-off of project cost	-	-	-	1,863
Amortisation of rights for water treatment business (Note 24)	3,532	3,532	-	-
Amortisation of rights for airport business (Note 24)	4,196	2,530	-	-
Management fees paid to a subsidiary	-	-	480	480
Amortisation of deferred expenditure (Note 25)	-	2,467	-	-
Amortisation of Redeemable Convertible Unsecured Loan Stocks (Note 37(b))	486	833	-	-
Contribution for Albukhary International University	100,000	75,000	30,000	-
Loss on disposal of subsidiaries (Note 16(a)&(b))	1,764	-	-	-
Staff costs (including Executive Directors' remuneration (Note 9(ii)):				
- Wages, salaries and bonus	332,652	301,422	10,356	10,772
- Defined contribution plan	36,046	32,596	1,345	1,267
- Other employee benefits	29,861	26,881	1,084	941

9 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
(i) Profit before taxation is arrived at: (continued)				
After crediting:				
Realised gain on foreign exchange	197	1,023	-	-
Unrealised gain on foreign exchange	193	257	-	-
Amortisation of land lease received in advance (Note 39)	11,400	9,950	-	-
Gain on disposal of property, plant and equipment	781	28,540	51	30
Gain on disposal of other non-current assets	15,432	87	-	-
Gain on disposal of available-for-sale financial assets	181,227	-	-	-
Rental income	1,817	2,539	85	79
Write-back of allowance for impaired receivables (Note 29)	45,657	48,219	-	-
Amortisation of deferred income (Note 41)	33,276	14,616	-	-
Impaired receivables recovered	715	2,359	-	-
Interest income	172,836	158,667	3,448	1,232
Gain on disposal of:				
- a subsidiary	-	-	714	-
- associate	45,891	439	38,832	-
Gain on liquidation of subsidiaries	-	280	-	-
Gross dividend income:				
- Subsidiaries: Unquoted in Malaysia	-	-	534,197	360,618
- Subsidiaries: Quoted in Malaysia	-	-	46,270	41,892
- Other investments: Quoted in Malaysia	3,448	7,368	-	-
Distributions from jointly controlled entities	-	-	113,750	154,247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

9 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(ii) Directors' remuneration:

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

	Group		Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Directors of the Company				
Non-Executive Directors:				
- fees	937	928	482	628
- other emoluments	4,757	3,320	411	182
- defined contribution plan	347	481	7	16
- estimated money value of benefits-in-kind	126	105	125	79
Executive Directors:				
- salaries and other emoluments	4,883	4,534	4,689	4,402
- defined contribution plan	785	262	780	262
- estimated money value of benefits-in-kind	192	298	165	298
	<u>12,027</u>	<u>9,928</u>	<u>6,659</u>	<u>5,867</u>

Included in the Non-Executive Directors' other emoluments are amounts received by Non-Executive Directors in their capacity as Executive Directors in subsidiaries.

10 ZAKAT EXPENSES

	<u>Group and Company</u>	
	<u>2010</u>	<u>2009</u>
	RM'000	RM'000
Movement in zakat liability:		
At the beginning of the financial year	-	-
Current financial year's expense	1,236	-
Paid during the financial year	(1,236)	-
At end of financial year	<u>-</u>	<u>-</u>

11 TAX EXPENSE

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Current tax:				
- Current year Malaysian tax	239,286	264,563	1,971	25,419
- (Over)/Under accrual in prior years (net)	(20,950)	(21,365)	12,032	5,016
	<u>218,336</u>	<u>243,198</u>	<u>14,003</u>	<u>30,435</u>
Deferred tax:				
- Origination and reversal of temporary differences (Note 26)	(86,509)	(125,783)	-	-
- Over accrual in prior years (Note 26)	(79,727)	(59,053)	-	-
	<u>52,100</u>	<u>58,362</u>	<u>14,003</u>	<u>30,435</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

11 TAX EXPENSE (CONTINUED)

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

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation and after zakat	854,512	681,626	429,001	378,721
Tax calculated at the Malaysian tax rate of 25%	213,628	170,407	107,250	94,680
Tax effects of:				
- expenses not deductible for tax purposes	178,168	79,348	35,628	20,269
- income exempted from tax	-	-	(143,412)	(107,532)
- income not subject to tax	(198,115)	(23,183)	(9,886)	-
- differences in SME tax rate of 20% and corporate tax rate of 25%	74	(327)	-	-
- temporary differences not recognised	7,992	7,076	521	545
- utilisation of previously unrecognised temporary differences and tax losses	(1,864)	4,835	-	-
- investment tax allowance	(72,060)	(153,321)	-	-
- share of results of associates and jointly controlled entities net of tax	24,954	44,952	-	-
- share of tax in an unincorporated jointly controlled entity	-	-	11,870	17,457
(Over)/Under accrual in prior years (net)	(100,677)	(71,425)	12,032	5,016
Tax expense	52,100	58,362	14,003	30,435

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share and diluted earnings per share are calculated by dividing the net profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2010	2009 (Restated)
Net profit for the financial year attributable to ordinary equity holders of the Company (RM'000)	344,940	233,614
Weighted average number of ordinary shares ('000)	3,045,058	3,045,058
Basic earnings per share (sen)	11.3	7.7
Diluted earnings per share (sen)	11.3	7.7

The Redeemable Convertible Subordinated Loans issued by a subsidiary do not have a material impact to the dilution of the Group's earnings per share.

13 DIVIDENDS

	Group and Company	
	2010 RM'000	2009 RM'000
Final proposed: 3.5 sen (2009 : 3.0 sen) per ordinary share, single-tier	106,577	91,352

At the forthcoming Annual General Meeting, a final single-tier dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2010 on 3,045,058,552 ordinary shares, amounting to RM106,577,049 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties	Leasehold properties	Building and Port structures	Mining leases properties
	RM'000	RM'000	RM'000	RM'000
Cost/valuation				
At 1 January 2009				
- Cost	53,179	-	2,931,587	347
- Valuation	25,981	-	280	-
As previously stated	79,160	-	2,931,867	347
Deconsolidation of a subsidiary	-	-	-	-
Effect of amendment to FRS 117	-	650,681	-	-
	79,160	650,681	2,931,867	347
As restated				
- Cost	53,179	650,681	2,931,587	347
- Valuation	25,981	-	280	-
	79,160	650,681	2,931,867	347
Acquisition through business combination	-	305,353	271,181	-
Disposals	(84)	(4,734)	(316)	-
Additions	15	-	42,077	-
Reclassification	-	-	168,771	-
Transfer to non-current assets held for sale (Note 28)	-	-	-	-
Write-offs	(105)	-	-	-
At 31 December 2009 / 1 January 2010	78,986	951,300	3,413,580	347
Disposal of a subsidiary	-	-	-	-
Disposals	-	-	-	-
Additions	2,234	-	122,963	-
Reclassification	-	-	339,887	-
Write-offs	-	-	-	-
At 31 December 2010	81,220	951,300	3,876,430	347

Power plants	Plant, machinery, dredges and other mining equipment	Pipeline system	Capital work in progress	C-inspection cost	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
10,589,184	2,444,025	1,045,341	654,515	353,981	18,072,159
-	-	-	-	-	26,261
10,589,184	2,444,025	1,045,341	654,515	353,981	18,098,420
-	(284,390)	-	(34,177)	-	(318,567)
-	-	-	-	-	650,681
10,589,184	2,159,635	1,045,341	620,338	353,981	18,430,534
10,589,184	2,159,635	1,045,341	620,338	353,981	18,404,273
-	-	-	-	-	26,261
10,589,184	2,159,635	1,045,341	620,338	353,981	18,430,534
-	1,017	-	182,717	-	760,268
-	(33,841)	-	(1,955)	-	(40,930)
37,564	106,468	(18,308)	523,266	34,143	725,225
22,581	452,857	52,932	(697,141)	-	-
-	(173)	-	-	-	(173)
(10,079)	(2,988)	-	-	-	(13,172)
10,639,250	2,682,975	1,079,965	627,225	388,124	19,861,752
-	(3,523)	-	-	-	(3,523)
-	(12,925)	-	-	-	(12,925)
11,508	30,270	4,407	220,805	112,001	504,188
1,985	67,816	60,167	(469,855)	-	-
-	(2,768)	-	-	-	(2,768)
10,652,743	2,761,845	1,144,539	378,175	500,125	20,346,724

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Freehold properties</u>	<u>Leasehold properties</u>	<u>Building and Port structures</u>	<u>Mining leases properties</u>
	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation				
At 1 January 2009	(3,699)	-	(338,724)	-
Effect of amendment to FRS 117	-	(18,653)	-	-
Depreciation (Note 9(i))	(2,041)	(12,674)	(74,629)	-
Disposals	-	-	-	-
Transfer to non-current assets held for sale (Note 28)	-	-	-	-
Write-offs	-	-	-	-
At 31 December 2009 / 1 January 2010	(5,740)	(31,327)	(413,353)	-
Disposal of a subsidiary	-	-	-	-
Depreciation (Note 9(i))	(3,109)	(16,869)	(88,751)	-
Disposals	-	-	-	-
Write-offs	-	-	-	-
At 31 December 2010	(8,849)	(48,196)	(502,104)	-
Accumulated impairment losses				
At 1 January 2009	(10,810)	-	(1,348)	-
Impairment loss	(447)	-	-	-
At 31 December 2009 / 1 January 2010	(11,257)	-	(1,348)	-
Impairment loss	-	-	-	-
At 31 December 2010	(11,257)	-	(1,348)	-
Net book value				
At 31 December 2008	64,651	632,028	2,591,795	347
At 31 December 2009	61,989	919,973	2,998,879	347
At 31 December 2010	61,114	903,104	3,372,978	347

^ The balances consist of additions of RM nil (2009 : RM706,443) offset against the capital contributions received from customers of RM nil (2009 : RM19,014,574).

Power plants	Plant, machinery, dredges and other mining equipment	Pipeline system	Capital work in progress	C-inspection cost	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(619,337)	(691,549)	(242,449)	-	(173,688)	(2,069,446)
-	-	-	-	-	(18,653)
(343,692)	(167,498)	(35,809)	-	(98,420)	(734,763)
-	28,541	-	-	-	28,541
-	47	-	-	-	47
2,037	194	-	-	-	2,231
(960,992)	(830,265)	(278,258)	-	(272,108)	(2,792,043)
-	3,308	-	-	-	3,308
(352,266)	(189,172)	(37,927)	-	(100,435)	(788,529)
-	12,477	-	-	-	12,477
-	2,545	-	-	-	2,545
(1,313,258)	(1,001,107)	(316,185)	-	(372,543)	(3,562,242)
-	(3,633)	(2,326)	-	-	(18,117)
-	-	-	-	-	(447)
-	(3,633)	(2,326)	-	-	(18,564)
-	(60,143)	-	-	-	(60,143)
-	(63,776)	(2,326)	-	-	(78,707)
9,969,847	1,464,453	800,566	620,338	180,293	16,324,318
9,678,258	1,849,077	799,381 ^	627,225	116,016	17,051,145
9,339,485	1,696,962	826,028 ^	378,175	127,582	16,705,775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold properties	Leasehold properties	Mining leases properties	Plant, machinery and equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
Cost					
At 1 January 2009					
As previously reported	826	-	347	26,708	27,881
Additions	-	-	-	470	470
Disposals	-	-	-	(3,923)	(3,923)
Effect of amendment to FRS 117	-	5,620	-	-	5,620
At 31 December 2009 / 1 January 2010	826	5,620	347	23,255	30,048
Additions	-	-	-	1,441	1,441
Disposals	-	-	-	(5,961)	(5,961)
At 31 December 2010	826	5,620	347	18,735	25,528
Accumulated depreciation					
At 1 January 2009	-	-	-	(22,231)	(22,231)
Effect of amendment to FRS 117	-	(1,064)	-	-	(1,064)
Depreciation (Note 9(i))	-	(57)	-	(1,780)	(1,837)
Disposals	-	-	-	3,553	3,553
At 31 December 2009 / 1 January 2010	-	(1,121)	-	(20,458)	(21,579)
Depreciation (Note 9(i))	-	(57)	-	(1,560)	(1,617)
Disposals	-	-	-	5,928	5,928
At 31 December 2010	-	(1,178)	-	(16,090)	(17,268)
Net book value					
At 31 December 2008	826	4,556	347	4,477	10,206
At 31 December 2009	826	4,499	347	2,797	8,469
At 31 December 2010	826	4,442	347	2,645	8,260

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	RM'000	RM'000
		Restated
Net book value of property, plant and equipment pledged as security for borrowings (Note 38)	14,141,555	14,480,186

Included in the property, plant and equipment of the Group is interest capitalised at a rate ranging from 4% to 8.5% per annum amounting to RM21.2 million (2009: RM48.9 million).

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

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

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	RM'000	RM'000
Freehold properties	9,943	10,503

The impairment of RM60.1 million in property, plant and equipment ("PPE"), RM6.4 million in intellectual property ("IP") and RM3.5 million in goodwill on consolidation ("GOC"), relates to the Refuse Derived Fuel ("RDF") plant of a subsidiary. The recoverable amounts or value in use of the PPE, IP and GOC were determined by discounting the future cash flows to be generated from the continuing use of the RDF plant. The projected cash flows prepared by management cover a period of 25 years, over the remaining useful life of the RDF plant.

Key assumptions used in the value in use calculations are as follows:

- (i) Inflationary rate is 3.5% per annum and salary increment rate is 5% per annum.
- (ii) Tipping fees of RM46 per tonne for the first 15 years and expected to increase to RM60 per tonne subsequently.
- (iii) Recyclables extraction rate is at 2% in 2010 and expected to increase to 3% from 2014 and 5% from 2028.
- (iv) The average recyclables selling price per tonne increase at 3.5% per annum.
- (v) Electricity tariff charged to customers is at RM0.21/kwh in 2010 and is projected to increase to RM0.42/kwh from 2013 onwards.
- (vi) MSW disposal rate is assumed at 25% of incoming waste.
- (vii) Daily gas usage is estimated at 240 mmBtu.
- (viii) Power plant capacity factor is at 90% from 2014 onwards.
- (ix) Pre-tax discount rate of 10.4% .

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

15 INVESTMENT PROPERTIES

	Group	
	2010	2009
	RM'000	RM'000
Cost		
At 1 January	35,477	36,290
Additions	66	30
Disposals	-	(341)
Transfer to non-current assets held for sale (Note 28)	(132)	(502)
At 31 December	<u>35,411</u>	<u>35,477</u>
Accumulated depreciation		
At 1 January	(3,270)	(3,242)
Depreciation (Note 9(i))	(504)	(202)
Disposals	-	87
Transfer to non-current assets held for sale (Note 28)	29	87
At 31 December	<u>(3,745)</u>	<u>(3,270)</u>
Accumulated impairment losses		
At 1 January	(888)	(556)
Impairment loss (Note 9(i))	-	(332)
At 31 December	<u>(888)</u>	<u>(888)</u>
Net book value	<u>30,778</u>	<u>31,319</u>
Fair value	<u>129,889</u>	<u>120,357</u>

All investment properties are freehold properties.

Rental income generated from and direct operating expenses incurred on investment properties are as follows:

	Group	
	2010	2009
	RM'000	RM'000
Rental income	1,660	2,456
Direct operating expenses	<u>1,332</u>	<u>1,913</u>

16 INVESTMENTS IN SUBSIDIARIES

	<u>Company</u>	
	<u>2010</u>	<u>2009</u>
	<u>RM'000</u>	<u>RM'000</u>
Shares quoted in Malaysia	150,774	150,774
Unquoted shares	7,177,475	7,539,396
	<u>7,328,249</u>	<u>7,690,170</u>
Add : Conversion of Redeemable Convertible Subordinated Loans to unquoted shares	264,445	-
Less: Accumulated impairment losses of unquoted shares	(11,291)	(15,189)
Less: Redemption of subsidiary's Redeemable Convertible Preference Shares	-	(42,840)
	<u>7,581,403</u>	<u>7,632,141</u>
Market value of quoted investments:		
Quoted in Malaysia	<u>289,194</u>	<u>214,830</u>

- (a) On 31 May 2010, Johor Port Berhad, a 100.0% owned subsidiary, disposed of 12,000,000 ordinary shares of RM1.00 each in Bernas Logistics Sdn Bhd ("Bernas Logistics"), representing 75.0% of the equity interest in Bernas Logistics for a total cash consideration of RM11.8 million resulting in a loss of RM1.8 million.

The disposal had the following effects on the financial position of the Group as at the end of the year:

	<u>2010</u>
	<u>RM'000</u>
Property, plant & equipment	215
Trade and other receivables	30,273
Cash and cash equivalents	345
Deferred taxation	47
Trade and other payables	(13,950)
Fair value of net assets disposed	<u>16,930</u>
Less: Non-controlling interest	<u>(3,410)</u>
	13,520
Total disposal proceed	<u>(11,760)</u>
Loss on disposal to the Group (Note 9(i))	<u>1,760</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a)	<u>2010</u>
	<u>RM'000</u>
Cash inflow arising from disposal:	
Cash consideration	11,760
Cash and cash equivalents of subsidiary disposed	(345)
Net cash inflow of the Group	<u>11,415</u>

(b) On 27 December 2010, the Company disposed of 4,000,000 ordinary shares of RM1.00 each in Timah Dermawan Sdn Bhd ("TDSB"), representing 51.8% of the equity interest in TDSB for a total cash consideration of RM822,063 resulting in a loss of RM3,582.

The disposals had the following effects on the financial position of the Group as at the end of the year:

	<u>2010</u>
	<u>RM'000</u>
Trade and other receivables	18
Cash and cash equivalents	2,111
Trade and other payables	(65)
Fair value of net assets disposed	2,064
Less: Non-controlling interest	(1,238)
	826
Total disposal proceed	(822)
Loss on disposal to the Group (Note 9(i))	<u>4</u>
Cash outflow on disposal:	
Cash consideration	822
Cash and cash equivalents of subsidiary disposed	(2,111)
Net cash outflow of the Group	<u>(1,289)</u>

(c) On 29 December 2010, Anglo-Oriental (Annuities) Sdn Bhd, a 100.0% owned subsidiary, commenced liquidation on the 16,786,332 ordinary shares of RM1.00 each in MMC Exploration & Production (Thailand) Limited ("MMC Thailand"), representing 100.0% of the equity interest in MMC Thailand.

Details of the subsidiaries are shown in Note 47.

17 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Shares quoted in Malaysia, at cost	139,037	165,031	139,037	163,046
Unquoted shares, at cost	1,582,392	1,660,011	-	-
Share of post-acquisition (loss) / reserves	(102,339)	52,376	-	-
	1,619,090	1,877,418	139,037	163,046
Less: Accumulated impairment losses	(456,050)	(262,133)	-	(6,409)
	1,163,040	1,615,285	139,037	156,637

	Group	
	2010	2009
	RM'000	RM'000
Represented by:		
Group's share of net assets other than goodwill	795,253	1,011,261
Group's share of goodwill in associates' own consolidated financial statements	18,561	18,561
Intangible assets arising from acquisition through business combinations	349,226	585,463
	1,163,040	1,615,285

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Market value of quoted associates:				
Shares quoted in Malaysia	132,632	184,039	132,632	181,556

No impairment has been made for the differences between the market value of quoted investments and the carrying amount of shares quoted in Malaysia as the effect of the low market value of quoted investments is expected to be temporary.

Kapar Energy Ventures Sdn Bhd ("KEV"), an associate in which the Group has 20.4% effective interest, reduced its losses incurred for the financial year ended 31 August 2010 to RM152 million compared to the RM188 million losses incurred in the previous financial year. Despite KEV's improved performance, the Group maintains a prudent outlook of its investments and decided to perform an impairment assessment. An impairment test was carried out to determine the recoverable value of the Group's investment in KEV, as a single cash generating unit based on the expected cash flows discounted to its present value based on the key assumptions as set out in Note 24(B). The recoverable amount is estimated to be below the carrying amount of investment in KEV, and accordingly, an allowance for impairment of RM198 million (2009 : RM123 million) was recognised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

17 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Group	
	2010	2009
	RM'000	RM'000
Revenue	1,839,929	1,933,220
Loss for the financial year	(119,264)	(150,969)
Total assets	5,057,767	4,500,141
Total liabilities	(3,894,727)	(2,884,856)
	1,163,040	1,615,285

Details of the Group's associates and the accounting periods used for applying the equity method of accounting for the associates' results are shown in Note 47.

The Group has discontinued the recognition of its share of losses of its inactive associates as the share of losses of these associates has exceeded the Group's interest in those associates. The unrecognised share of losses of these associates for the current financial year and cumulatively were immaterial to the Group. The details of inactive associates are disclosed in Note 47.

18 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Company	
	2010	2009
	RM'000	RM'000
At cost:		
Unquoted shares	5,001	5,001

18 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	Group	
	2010	2009
	RM'000	RM'000
Income	1,041,343	1,033,052
Expenses	(974,420)	(992,065)
	<u>66,923</u>	<u>40,987</u>
Non-current assets	677,415	630,801
Current assets	794,781	451,093
Current liabilities	(1,252,915)	(815,983)
Net assets	<u>219,281</u>	<u>265,911</u>

The Group's share of capital commitment and contingent liabilities in the jointly controlled entities are as set out below:

	Group	
	2010	2009
	RM'000	RM'000
Capital commitment:		
Property plant and equipment		
Authorised and contracted for	<u>3,534</u>	<u>4,047</u>
Contingent liabilities:		
Performance bond to Government of Malaysia in relation to the double tracking project	<u>312,125</u>	<u>312,125</u>

Details of the Group's jointly controlled entities are shown in Note 47.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

19 OTHER INVESTMENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At cost:				
Shares quoted outside Malaysia	13,172	13,172	-	-
Unquoted shares	2,000	2,000	2,000	2,000
Transfer to available-for-sale financial assets (Note 20)	(13,172)	-	-	-
	2,000	15,172	2,000	2,000
Less: Accumulated impairment losses				
- Shares quoted outside Malaysia	(13,172)	(13,172)	-	-
- Unquoted shares	(2,000)	(2,000)	(2,000)	(2,000)
- Transfer to available-for-sale financial assets (Note 20)	13,172	-	-	-
	-	-	-	-
Market value of quoted investments:				
- Shares quoted outside Malaysia	-	9,670		

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>Group</u>
	<u>2010</u>
	<u>RM'000</u>
At 1 January 2010:	
- Transfer from marketable securities (Notes 4(i) & 31)	61,237
- Effect of FRS 139	264,440
Disposals	(227,358)
Net losses transferred to equity	(8,039)
At 31 December 2010	90,280
Less: Non-current portion	(8,412)
Current portion	<u>81,868</u>
Available-for-sale financial assets comprise the following:	
Listed equity securities:	
- In Malaysia	81,832
- Outside Malaysia	8,412
	<u>90,244</u>
Unlisted equity securities	
- In Malaysia	36
	<u>90,280</u>
Available-for-sale financial assets are denominated in the following currencies:	
Malaysian Ringgit	81,868
Australian Dollar	8,412
	<u>90,280</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

21 PROPERTY DEVELOPMENT EXPENDITURE

	Group		
	<u>Freehold land</u>	<u>Development</u>	<u>Total</u>
	RM'000	RM'000	RM'000
At 1 January 2010	1,883,000	57,028	1,940,028
Additions	-	46,180	46,180
Disposal	(69,012)	-	(69,012)
At 31 December 2010	<u>1,813,988</u>	<u>103,208</u>	<u>1,917,196</u>
At 1 January 2009	3,267	37,381	40,648
Acquisition through business combination	1,883,000	-	1,883,000
Additions	-	19,647	19,647
Disposal	(3,267)	-	(3,267)
At 31 December 2009 - restated	<u>1,883,000</u>	<u>57,028</u>	<u>1,940,028</u>

Freehold Land

On 25 August 2006, a subsidiary of MMC Corporation Berhad entered into a Joint Land Development Agreement (“JLDA”) with Exquisite Skyline Sdn Bhd (“ESSB”), a subsidiary of United Malayan Land Berhad. The purpose of JLDA is to develop a piece of freehold land located at Pesiaran Raja Chulan, Kuala Lumpur into a commercial development of 310 units of service residences. Up to November 2009, the subsidiary received a deposit of RM3,000,000 from ESSB. The subsidiary’s participation in the JLDA is via the injection of the land.

In consideration of the development right granted by the subsidiary to ESSB, ESSB shall pay and the subsidiary agrees to accept a sum of 50% of the development profit before tax and before land cost or RM20,000,000 whichever is higher.

However, ESSB and the subsidiary had mutually agreed via a Supplemental Agreement dated 21 December 2009 that ESSB shall purchase the freehold land at RM20 million on an ‘as-is-where-is’ basis. On 31 December 2009, ESSB paid the balance of RM17.0 million to the subsidiary.

Freehold land acquired through business combination in 2009 comprise several contiguous pieces of land with a total area of approximately 2,718.68 acres, earmarked for the development of a cargo and logistics hub, high-tech industries park and mixed development.

Development Expenditure

Development expenditure represents the cost incurred in relation to the development in a subsidiary’s leasehold properties as stated in Note 14 to the financial statements.

22 AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and are not repayable during the next twelve months except in so far as such repayment will not adversely affect the ability of the respective subsidiaries to meet their liabilities when due. Included in the amount due from subsidiaries are Redeemable Convertible Subordinated Loans of RM nil (2009: RM264.5 million). The terms of the Redeemable Convertible Subordinated Loans are as disclosed in Note 36.

	Company	
	2010	2009
	RM'000	RM'000
Fair values of amounts due from/to subsidiaries are as follows:		
Amounts due from subsidiaries	1,089,347	895,852
Amounts due to subsidiaries	535,668	837,486

23 OTHER RECEIVABLES

	Group	
	2010	2009
	RM'000	RM'000
Staff loans to eligible staff	4,868	7,700
Repayments due within the next twelve months	(654)	(908)
	<u>4,214</u>	<u>6,792</u>

Analysis of repayment schedule:

Within 1 year	654	908
From 1 to 2 years	496	772
From 2 to 5 years	882	2,232
After 5 years	2,836	3,788
	<u>4,868</u>	<u>7,700</u>

	Group and Company	
	2010	2009
	RM'000	RM'000
Mining exploration expenditure, at cost	9,962	9,962
Less : Accumulated impairment losses		
At 1 January / 31 December	(9,962)	(9,962)
Carrying value	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

24 INTANGIBLE ASSETS

	Rights on Power Purchase Agreement and Operations Maintenance Agreement	Goodwill on consolidation	Intellectual property	Rights on water treatment business	Rights on airport business	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Cost						
At 1 January 2010	7,103,796	2,046,721	8,000	21,193	168,909	9,348,619
Reclass from deferred expenditure (Note 25)	-	-	-	-	20,000	20,000
At 31 December 2010	<u>7,103,796</u>	<u>2,046,721</u>	<u>8,000</u>	<u>21,193</u>	<u>188,909</u>	<u>9,368,619</u>
Amortisation/Impairment losses						
At 1 January 2010	(965,619)	-	(1,334)	(3,532)	(2,530)	(973,015)
Reclass from deferred expenditure (Note 25)	-	-	-	-	(2,467)	(2,467)
Amortisation charge (Note 9(i))	(395,327)	-	(267)	(3,532)	(4,196)	(403,322)
Impairment (Note 9(i))	-	(3,458)	(6,399)	-	-	(9,857)
At 31 December 2010	<u>(1,360,946)</u>	<u>(3,458)</u>	<u>(8,000)</u>	<u>(7,064)</u>	<u>(9,193)</u>	<u>(1,388,661)</u>
Net book value						
At 31 December 2010	<u>5,742,850</u>	<u>2,043,263</u>	<u>-</u>	<u>14,129</u>	<u>179,716</u>	<u>7,979,958</u>
At 31 December 2009 - restated	<u>6,138,177</u>	<u>2,046,721</u>	<u>6,666</u>	<u>17,661</u>	<u>166,379</u>	<u>8,375,604</u>
Amortisation charge for 2009	<u>(393,343)</u>	<u>-</u>	<u>(267)</u>	<u>(3,532)</u>	<u>(2,530)</u>	<u>(399,672)</u>

24 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

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

	<u>2010</u>	<u>2009</u>
	<u>RM'000</u>	<u>RM'000</u>
Pelabuhan Tanjung Pelepas Sdn Bhd		
- Port Business	1,512,366	1,512,366
Malakoff Corporation Berhad		
- Electricity Generation Business	340,392	340,392
Recycle Energy Sdn Bhd		
- Management and treatment of municipal solid waste and production of renewable energy	-	3,458
Senai Airport Terminal Services Sdn Bhd		
- Manage, operate, maintain and develop the Sultan Ismail Airport in Senai, Johor Darul Takzim and to provide airport and aviation related services	166,382	166,382
- Property development	24,123	24,123
	<u>2,043,263</u>	<u>2,046,721</u>

(A) Port Business

The recoverable amount of Port Business is determined based on a "value in use" calculation. The "value in use" of Port Business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU including goodwill by RM1.2 billion.

The "value in use" is derived based on management's cash flow projections for 5 financial years from 2011 to 2015 and the key assumptions used in the calculation of "value in use" are as follows:

- (a) Based on the business plan, the projected annual Twenty-Foot Equivalent Unit ("TEU") over the projection period from 2011 to 2015, will be in the region of 7.4 million to 8.5 million TEU;
- (b) The cash flow projections after 2015 are extrapolated to the end of the concession period using a nominal long-term growth rate of 3.5% per annum which takes into consideration the long term average global GDP, inflation and average growth rate for the industry; and
- (c) A pre-tax discount rate 9.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

24 INTANGIBLE ASSETS (CONTINUED)

(A) Port Business (continued)

Management's judgement is involved in estimating the future cash flows of Port Business. The "value in use" is sensitive to, amongst others, the projected cash flows during the explicit projection period and the assumptions regarding the long term sustainable pattern of cash flows thereafter.

The circumstances where a reasonably possible change in the key assumptions will cause an impairment loss to be recognised include the following:

- (i) A decrease of more than 10.0% per annum in the total projected annual TEU in each financial year over the projection period; or
- (ii) Long term growth rate beyond the explicit projection period is lower than 2.2% per annum; or
- (iii) Pre-tax discount rate is higher than 10.0%.

If the total projected annual TEU in each financial year over the projection period was to reduce by an additional 0.5% per annum from the breakeven point as mentioned in (i) above (i.e. decrease of 10.5% per annum in the total projected annual TEU in each financial year over the projection period), the impairment charge would approximately be RM40 million.

Had the pre-tax discount rate been 0.1% higher from the breakeven point as mentioned in note (iii) above (discount rate of 10.1%), the impairment charge would be approximately RM18 million.

(B) Electricity Generation Business

The impairment of goodwill test on the Electricity Generation Business ("EGB") was conducted using its "value in use" as its recoverable amount. The "value in use" for EGB was determined by discounting the future cash flows generated from the continuing use of its power plants based on management's cash flow projections for 21 financial years from 2011 to 2031.

The key assumptions used in the calculation of "value in use" as extracted from the respective PPAs are as follows:

- (a) The terms of the PPAs will remain unchanged throughout the concession period.
- (b) Remaining useful life of PPA/OMA 7 – 21 years
- (c) Dependable capacity 350MW – 2,420MW
- (d) Capacity factor 25% to 75% of dependable capacity
- (e) Net electrical output (million kW/hour) 1,997 – 15,805
- (f) Capacity Rate (RM/kW/month) 16.98 – 50.00
- (g) Fixed Operating Rate under Revenue (RM/kW/month) 4.40 – 9.49
- (h) Variable Operating Rate under Revenue (RM/kW/month) 0.005 – 0.031
- (i) Fuel price (RM/mBtu) 10.14 – 13.50
- (j) Variable Operating Rate under Cost (RM/kWh) 0.013 – 0.031
- (k) Fixed Operating Rate under Cost (RM/kW/month) 2.08 – 10.63
- (l) It is assumed that the residual value of the respective power plants is based on a five (5) years extension discounted cash flows as described in Note 3(b) Critical Accounting Estimate and Judgements.

Management believes that a period greater than 5 years used in the cash flow projections is justified as the income derived during the extended period can be supported by its Power Purchase Agreement ("PPA") and Operation & Maintenance Agreement ("OMA") which has a remaining useful life ranging from 7 to 21 years.

If the residual value of the power plant does not materialise, there will be impairment to the goodwill and intangible assets.

24 INTANGIBLE ASSETS (CONTINUED)

(C) (i) Airport Operations

The recoverable amount of the Airport Operations is determined based on a “value in use” (“VIU”) approach. The VIU of the Airport Operations was determined by discounting the future cash flows to be generated from the continuing use of the unit.

The VIU is derived based on management’s cash flow projections for the concession period from 2011 to 2057 and the key assumptions used in the calculation of the VIU are as follows:

- (a) Discount rate of 9.5% per annum;
- (b) Total passengers are forecasted to grow with a 20 years Compound Annual Average Growth Rate (“CAAGR”) of 7.7% beyond which approximately 5% growth is estimated year-on-year; and
- (c) Cargo tonnage is forecasted to grow with a 20 years CAAGR of 16.1% beyond which approximately 5% growth is estimated year-on-year.

Management’s judgement is involved in estimating the future cash flows of the Airport Operations. The VIU is sensitive to the discount rate applied on the discounted cash flows. Goodwill will be impaired if the discount rate were to go beyond 11%.

(ii) Property Development Land

The recoverable amount of the property development land is determined based on the market value of the land which as of June 2010, has been valued at a price higher than the fair value upon acquisition.

25 DEFERRED EXPENDITURE

	Group	
	2010 RM'000	2009 RM'000
Cost		
At 1 January	20,000	-
Additions	-	20,000
Reclass to intangible assets (Note 24)	(20,000)	-
At 31 December	-	20,000
Amortisation		
At 1 January	(2,467)	-
Amortisation charge (Note 9(i))	-	(2,467)
Reclass to intangible assets (Note 24)	2,467	-
At 31 December	-	(2,467)
Net book value	-	17,533

The deferred expenditure is in relation to the rights to operate, manage and undertake future development of the Sultan Ismail Airport in Senai, Johor Darul Takzim.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

26 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Deferred tax assets	670,503	542,011	-	-
Deferred tax liabilities:				
- subject to income tax	(3,511,746)	(3,537,840)	-	-
	<u>(2,841,243)</u>	<u>(2,995,829)</u>	<u>-</u>	<u>-</u>
At 1 January	(2,995,829)	(2,689,240)	-	-
(Charged)/credited to statement of comprehensive income (Note 11):				
- property, plant and equipment	(129,858)	(116,066)	(9)	(34)
- receivables	-	(4,695)	-	-
- payables	11,849	(32)	-	-
- tax losses	24,080	-	-	-
- provisions	10,532	35,451	6	6
- intangibles	160,883	143,771	-	-
- investment tax allowance	91,047	126,159	-	-
- others	(2,297)	248	3	28
	<u>166,236</u>	<u>184,836</u>	<u>-</u>	<u>-</u>
Recognised in equity upon conversion of RCULS	199	47	-	-
Acquisition through business combination	-	(491,472)	-	-
Effects on the adoption of FRS 139	(11,849)	-	-	-
At 31 December	<u>(2,841,243)</u>	<u>(2,995,829)</u>	<u>-</u>	<u>-</u>

26 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Subject to income tax:				
Deferred tax assets (before offsetting)				
Property, plant and equipment	119,661	128	-	-
Tax losses	24,080	-	-	-
Provisions	42,416	31,884	91	85
Investment tax allowances	636,091	545,044	-	-
Others	759	3,177	6	3
	<u>823,007</u>	<u>580,233</u>	<u>97</u>	<u>88</u>
Offsetting	(152,504)	(38,222)	(97)	(88)
Deferred tax assets (after offsetting)	<u>670,503</u>	<u>542,011</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(2,144,873)	(1,895,482)	(97)	(88)
Intangibles	(1,519,131)	(1,680,014)	-	-
Others	(246)	(566)	-	-
	<u>(3,664,250)</u>	<u>(3,576,062)</u>	<u>(97)</u>	<u>(88)</u>
Offsetting	152,504	38,222	97	88
Deferred tax liabilities (after offsetting)	<u>(3,511,746)</u>	<u>(3,537,840)</u>	<u>-</u>	<u>-</u>

The amount of deductible temporary differences and unused tax losses (both of which have no expiry dates) for which no deferred tax asset is recognised in the statement of financial position are as follows:

	Group	
	<u>2010</u>	<u>2009</u>
	RM'000	RM'000
Deductible temporary differences	113,367	107,963
Tax losses	321,463	302,355
	<u>434,830</u>	<u>410,318</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

27 INVENTORIES

	Group	
	2010	2009
	RM'000	RM'000
Spares, consumables and container repair materials	450,276	461,570
Diesels and Fuels	44,875	50,478
Coals	89,472	125,685
Chemicals	527	520
Raw materials	139	163
	<u>585,289</u>	<u>638,416</u>

Inventories of the Group of RM39.1 million (2009: RM39.5 million) comprising spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 38.

28 NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2010	2009
	RM'000	RM'000
Property, plant and equipment (Note 14)	-	126
Investment properties (Note 15)	103	415
	<u>103</u>	<u>541</u>

In November 2010, the Company entered into a sale and purchase agreement to dispose the properties for sales consideration of RM1.0 million. The disposal is expected to be completed by early May 2011.

29 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Trade receivables	1,515,868	1,091,736	8	8
Less: Allowance for impaired receivables	(138,995)	(168,978)	(8)	(8)
	1,376,873	922,758	-	-
Other receivables	358,290	374,083	34,770	46,070
Less: Allowance for impaired receivables	(1,809)	(1,809)	(505)	(505)
	356,481	372,274	34,265	45,565
Deposits	39,129	41,403	4,624	1,121
Prepayments	110,379	175,496	-	-
	505,989	589,173	38,889	46,686
Amounts due from contract customers (Note 42)	20,548	31,832	-	-
Amounts due from associates	272,763	207,914	41	41
Amounts due from jointly controlled entities	51,641	61,586	51,641	61,586
	2,227,814	1,813,263	90,571	108,313

Credit terms of trade receivables of the Group and Company vary from 30 to 60 days (2009: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2010, trade and other receivables of RM433.6 million (2009: RM117.1 million) for the Group were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The aging analysis of trade and other receivables (excluding deposits and prepayments) are as follows:

	Group		Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	1,644,740	1,479,310	85,947	107,192
Past due not impaired:				
Up to 3 months	405,670	53,245	-	-
3 to 6 months	9,472	21,122	-	-
More than 6 months	18,424	42,687	-	-
	433,566	117,054	-	-
Impaired	140,804	170,787	513	513
	<u>2,219,110</u>	<u>1,767,151</u>	<u>86,460</u>	<u>107,705</u>

As at 31 December 2010, trade and other receivables amounting to RM140.8 million (2009: RM170.8 million) for the Group and RM513,000 (2009: RM513,000) for the Company were impaired and provided for. The individually impaired receivables mainly relate to customers, which have defaulted in payment. The aging analysis of these trade and other receivables are as follows:

	Group		Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	RM'000	RM'000	RM'000	RM'000
Up to 3 months	4,013	50,683	-	-
3 to 6 months	463	60	-	-
More than 6 months	136,328	120,044	513	513
	<u>140,804</u>	<u>170,787</u>	<u>513</u>	<u>513</u>

29 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of trade and other receivables (excluding deposits and prepayments) are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
- Ringgit Malaysia	1,872,851	1,401,686	85,947	107,192
- US Dollar	205,322	194,168	-	-
- Australian Dollar	3	31	-	-
- Others	130	479	-	-
	<u>2,078,306</u>	<u>1,596,364</u>	<u>85,947</u>	<u>107,192</u>

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

Movements on the provision for impaired trade and other receivables are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	170,787	215,839	513	513
Allowance for impaired trade and other receivables during the financial year	19,933	37,784	-	-
Write-off	(4,259)	(34,617)	-	-
Allowance for impaired trade and other receivables no longer required (Note 9 (i))	(45,657)	(48,219)	-	-
At 31 December	<u>140,804</u>	<u>170,787</u>	<u>513</u>	<u>513</u>

The allowance and the release of allowance for impaired trade and other receivables have been included in "administrative expenses" in the statement of comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

30 AMOUNT DUE FROM HOLDING COMPANY

	Group and Company	
	2010	2009
	RM'000	RM'000
Amount due from holding company	5,518	7,518

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

31 MARKETABLE SECURITIES

	Group	
	2010	2009
	RM'000	RM'000
Shares in a corporation quoted in Malaysia, at cost	62,151	62,151
Less: Accumulated impairment losses	(914)	(914)
Transfer to available-for-sale financial assets (Note 20)	(61,237)	-
	-	61,237
Market value:		
- quoted in Malaysia	-	325,637

Marketable securities amounting to RM35.8 million in 2009 were pledged as security for borrowings as disclosed in Note 38.

32 DEPOSITS , BANK AND CASH BALANCES

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits with:				
Licensed banks	2,462,125	2,632,632	93,235	72,652
Investment banks	804,988	710,320	-	16,000
Other financial institutions	604,361	729,432	-	38,000
	3,871,474	4,072,384	93,235	126,652
Cash and bank balances	191,069	420,448	2,170	764
	4,062,543	4,492,832	95,405	127,416

The currency exposure profile of the deposits, bank and cash balances are as follows:

- Ringgit Malaysia	4,038,199	4,461,540	92,916	125,071
- US Dollar	21,855	26,853	-	-
- Australian Dollar	1,951	1,727	1,951	1,727
- Pound Sterling	538	618	538	618
- IRD Indonesian	-	2,094	-	-
	4,062,543	4,492,832	95,405	127,416

The weighted average interest rates of deposits, bank and cash balances that were effective as at end of reporting period are as follows:

	Group		Company	
	2010	2009	2010	2009
	% per annum	% per annum	% per annum	% per annum
Deposits placed with:				
Licensed banks	3.00	2.19	2.84	2.20
Investment banks	3.09	2.25	-	2.36
Other financial institutions	3.26	2.74	-	2.49

Deposits of the Group have an average maturity of 159 days (2009: 55 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

33 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2010	2009	2010	2009
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM0.10 each:				
At 31 December	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.10 each:				
At 31 December	3,045,058	3,045,058	304,506	304,506

34 RESERVES

As at 31 December 2010, the Company does not have any Section 108 account and has therefore automatically moved to the single-tier tax system, which came into effect from the year of assessment 2009, under which companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

35 REDEEMABLE PREFERENCE SHARES

	Group	
	2010	2009
	RM'000	RM'000
Redeemable Preference Shares of RM0.01 each:		
At 1 January / 31 December	1,140	1,140
Premium on Redeemable Preference Shares:		
At 1 January / 31 December	112,911	112,911
	114,051	114,051
Dividend on redeemable preference shares	22,416	20,512
Classified as liabilities	136,467	134,563

35 REDEEMABLE PREFERENCE SHARES (CONTINUED)

Details of the Redeemable Preference Shares (“RPS”) are as follows:

- (i) The RPS shall be fully redeemable in five equal instalments at the total amount of RM114.1 million to be payable on 30 September of every year starting from 30 September 2013 to 30 September 2017.
- (ii) The holders of the RPS shall have the right to receive a fixed cumulative preferential dividend of RM50.0 million for all the RPS based on par value of RM0.01 per share and which shall be payable in three equal instalments on 30 September 2018, 30 September 2019 and 30 September 2020.
- (iii) The RPS shall not confer any voting right except where the rights of the RPS are affected.
- (iv) In the event of liquidation, the holders of the RPS shall rank pari passu with the holders of ordinary shares and shall rank in priority to the other holders of preference shares, save for the Special Share in respect of any distribution or repayment of capital.

36 REDEEMABLE CONVERTIBLE SUBORDINATED LOANS

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

	Group	
	2010	2009
Unsecured	RM'000	RM'000
Company	-	369,494
Other corporate shareholders	-	158,355
Total RCSL issued	-	527,849

On 25 February 2010, the subsidiary converted its outstanding RCSL of RM527,848,644 into 527,848,644 new Ordinary Shares of RM1.00 each in accordance with the RCSL holders' ratio. There is no impact on the Group's interest in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

37 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS")

(a) The movement of the RCULS during the financial year are as follows:

	Balance at 01.01.2010	Issued	Conversion	Balance at 31.12.2010
	RM'000	RM'000	RM'000	RM'000
Principal amount of RCULS of RM1.00 each	40,412	-	(12,158)	28,254

(b) The RCULS is accounted for in the statement of financial position of the Group as follows:

	Group	
	2010	2009
	RM'000	RM'000
The movement of the liability component of RCULS during the year is as follows:		
At 1 January	36,930	38,419
Converted to ordinary shares in a subsidiary	(11,365)	(2,322)
Interest recognised in the statement of comprehensive income (Note 9 (i))	486	833
At 31 December	26,051	36,930

(c) Interest expense on the RCULS is calculated on the effective yield basis by applying the coupon interest of 7.545% per annum for an equivalent non-convertible bond to the liability component of the RCULS.

(d) The salient terms of the 7-year, 5% RCULS 2004/2011 at nominal value of RM1.00 are as follows:

(i) Status

The RCULS constitute direct, unsubordinated and unsecured obligations of the subsidiary.

(ii) Redeemability

Conversion before maturity of the RCULS is at the option of the RCULS holders. Unless otherwise converted, the RCULS will be redeemed for cash at its nominal value on maturity.

(iii) Coupon rate

The subsidiary shall until the maturity date of the RCULS pay the RCULS holders interest in cash on the RCULS at the rate of 5% on each interest payment date in arrears.

37 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“RCULS”) (CONTINUED)

(d) The salient terms of the 7-year, 5% RCULS 2004/2011 at nominal value of RM1.00 are as follows: (continued)

(iv) Maturity

The date falling on the seventh (7th) anniversary of the date of issuance of the RCULS.

(v) Tenure

The RCULS has a tenure of seven (7th) years from and including the date of issue.

(vi) Conversion price

The conversion price for the RCULS is fixed at RM1.00 per one (1) new share in the subsidiary by tendering RM1.00 nominal value of RCULS for cancellation.

(vii) Conversion period

The RCULS is convertible into new subsidiary’s share at any time before maturity.

(viii) Form and denomination

The RCULS is issued in global bearer form and constituted by trust deed. The RCULS is in denominations of RM1.00 each.

(ix) Ranking of new shares

The new shares to be issued upon conversion of the RCULS shall rank pari passu in all respects with the then existing shares except that such new shares will not rank for final dividends in respect of any particular financial year if the conversion date of the RCULS is after the close of the financial year irrespective of the date when such final dividend is declared, made or paid. Additionally, the new shares allotted and issued upon the exercise of the conversion right shall not rank for any rights, dividends, allotments or other distribution if the conversion date of the RCULS is after the record date for such rights, allotments or distributions.

(x) Rights of RCULS holders on liquidation

In the event of liquidation of the subsidiary (except for the purpose of a reconstruction or amalgamation the terms of which have been approved in writing by the trustee and by a special resolution), whether voluntary or by order of court, then the amount which is due and payable by the subsidiary to the RCULS holders shall be RM1.00 for each RCULS of RM1.00 nominal value held together with any interest accrued thereon, if any. The RCULS holders shall rank pari passu with all other unsecured and unsubordinated creditors of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

37 REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") (CONTINUED)

(d) The salient terms of the 7-year, 5% RCULS 2004/2011 at nominal value of RM1.00 are as follows: (continued)

(xi) Restriction on dividends

No dividends shall be payable to the shareholders of the subsidiary unless an aggregate of 14.3% per annum (being 100% divided by the tenure of the RCULS) of the nominal value of the RCULS is converted into new shares, repurchased, cancelled or otherwise satisfied by the subsidiary each financial year during the tenure of the RCULS. Should there be any shortfall in the conversion of the RCULS in any one financial year or prior years, the subsidiary may only pay dividends if it deposits an amount in cash equivalent to the shortfall in conversion into sinking fund.

(xii) Trust Deed

The RCULS was constituted by a trust deed executed between the subsidiary and a trustee, who acts for the benefit of the RCULS holders.

(xiii) Sinking Fund

The subsidiary shall create a sinking fund account to be operated and maintained by the trustee for the deposit by the subsidiary of any shortfall in the conversion amount pursuant to the Restriction on Dividends as disclosed in Note 37(d)(xi). Any amounts deposited in the sinking fund account shall be used to redeem the RCULS upon maturity.

(xiv) Public quotation

The RCULS was listed on the Bursa Malaysia Securities Berhad on 15 March 2005.

38 BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Al-Murabahah:				
- Commercial Papers	494,140	594,199	-	-
Term loans	1,971,965	728,889	1,557,788	448,127
Sukuk Ijarah Bonds	256,389	175,618	-	-
Al-Bai' Bithaman Ajil Bonds	120,000	120,000	-	-
Al-Istisna Bonds	65,466	65,986	-	-
Istisna Medium Term Notes	560,000	510,000	-	-
Unsecured:				
Term loans	2,625	2,362	-	-
Revolving Credits	492,000	299,000	455,000	255,000
Structured Commodity	-	34,000	-	34,000
Bank overdrafts	7,487	716	-	-
Multi-option line	-	14,899	-	-
Redeemable Convertible Loan Stock	-	1,817	-	-
Government Loan	21,667	11,667	-	-
	<u>3,991,739</u>	<u>2,559,153</u>	<u>2,012,788</u>	<u>737,127</u>
Non-current				
Secured:				
Term loans	4,079,716	5,448,738	1,496,750	2,636,665
Sukuk Ijarah Bonds	239,245	496,549	-	-
Al-Bai' Bithaman Ajil Bonds	370,000	490,000	-	-
Al-Istisna Bonds	320,420	386,586	-	-
Istisna Medium Term Notes	3,730,000	4,290,000	-	-
Sukuk Medium Term Notes	5,258,089	5,249,384	-	-
Junior Sukuk	1,749,111	1,700,000	-	-
Unsecured:				
Term loans	-	3,938	-	-
Structured Commodity	-	50,000	-	50,000
Redeemable Convertible Loan Stock	149,762	156,017	-	-
Government Loan	78,333	88,333	-	-
	<u>15,974,676</u>	<u>18,359,545</u>	<u>1,496,750</u>	<u>2,686,665</u>
Total	<u>19,966,415</u>	<u>20,918,698</u>	<u>3,509,538</u>	<u>3,423,792</u>
Fair values of borrowings	<u>20,946,683</u>	<u>21,803,701</u>	<u>3,509,538</u>	<u>3,423,792</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

38 BORROWINGS (CONTINUED)

Analysis of repayment schedule:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Within 1 year	3,991,739	2,559,153	2,012,788	737,127
From 1 to 2 years	2,343,149	3,933,534	770,500	2,539,415
From 2 to 5 years	5,859,181	5,691,940	726,250	147,250
After 5 years	7,772,346	8,734,071	-	-
	<u>19,966,415</u>	<u>20,918,698</u>	<u>3,509,538</u>	<u>3,423,792</u>

- (i) The short-term Structured Commodity carries a profit rate at 2.5% above Effective Cost of Funds. The long-term Structured Commodity carries a profit rate of 0.25% below the bank's Base Financing Rate and is repayable in 3 instalments commencing from the end of the 3rd year from the first disbursement date.
- (ii) Interest on term loans of a subsidiary are charged at a fixed rate which ranges from 4.0% to 6.5% (2009: 4.0% to 6.5%) per annum. Two of the bank loans will be charged at a rate of 1.5% above the effective cost of funds of the lender from November 2010 onwards. A Second New Facility Agreement was executed on 17 August 2006 with a fixed interest rate of 1.0% per annum above the effective cost of funds of the lender to be fixed at each drawdown date until 31 December 2016 and floating interest rate of 1.0% above the cost of funds of the lender from 1 January 2017 onwards.

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

The unsecured term loan facility obtained by a subsidiary carries a fixed interest rate of 7.0% per annum. The loan is repayable in five equal quarterly instalments of RM350,000 and the remaining four quarterly instalments of RM1,313,000.

The bank loans are secured by:

- (i) a fixed and floating charge by way of debenture over all the assets and undertaking of the subsidiary.
- (ii) a charge on the specific Designated Accounts and all monies standing to the credit of the subsidiary.
- (iii) assignment of certain rights and benefits of the subsidiary.

Other term loans are repayable in 13 annual instalments of 2.5% per annum of the principal repayable and a final bullet repayment.

- (iii) The secured long term loan on Syariah principles carries a profit rate of 4.6% (2009: 4.6%) per annum and is repayable by 19 quarterly instalments commencing November 2007. The facility was secured by fixed deposits and by way of a floating charge over a subsidiary's property, plant and equipment.

38 BORROWINGS (CONTINUED)

- (iv) The secured long term loan on Al-Ijarah Muntahiah Bilamik of a subsidiary carries a profit rate of 5.1% to 8.5% (2009: 5.1% to 8.5%) per annum and is repayable in 18 quarterly instalments from 20 March 2012. It carries Effective Islamic Cost of Funds rate plus 2.25% per annum.

The term loan is secured as follows:

- (i) a debenture comprising fixed and floating charges over the existing and future assets of the subsidiary.
- (ii) assignment over all the revenues pursuant to the operations of the airport managed by the subsidiary (including but not limited to the aeronautical and non-aeronautical revenues).
- (iii) first party first legal charge over the airport land via assignment over the lease agreement on the airport land, to the extent that the same are assignable and no further consent is required for such assignment.
- (iv) memorandum of deposit over the ordinary shares of the subsidiary representing the entire issued and fully paid-up capital of the subsidiary.

Pursuant to the Islamic Financing Facility Agreement based on Islamic principle of Al-Ijarah Muntahiah Bitmalik:-

- (i) the subsidiary is required to maintain a finance service cover ratio of at least 1.50 times throughout the tenure of the facility.
- (ii) throughout the tenure of the facility, the subsidiary shall maintain maximum total Debt/Equity Ratio of no higher than 80:20.

The Ijarah facility 2 is secured by first party legal charge over certain property development land and is repayable in six months from 19 May 2011. It carries Effective Islamic Cost of Funds rate plus 2.25% per annum.

- (v) The government loan is repayable starting on the sixth concession year from 2009 in ten equal instalments and each payment shall be made within the first month of the particular concession year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

38 BORROWINGS (CONTINUED)

(vi) The term loans of the Company are secured by certain assets of the Company and a subsidiary company. Interest rates on the term loans of the Company range from 4.11% to 6.10% (2009: 3.15% to 4.56%) per annum. The tenure of the loans ranges from 1 - 5 years with bullet repayments on maturity from the dates of drawdown and 3 to 7 semi-annual instalments. The revolving credit facility of the Company is unsecured and bears interest ranging from 3.95% to 5.25% (2009: 2.95% to 3.36%) per annum.

(vii) The Commercial Papers, bonds, Medium Term and Loan Notes, and Junior Sukuk of subsidiaries are secured over property, plant and equipment with a carrying amount of RM9,484 million (2009: RM9,828 million) and prepaid lease payments with a carrying amount of RM6.0 million (2009: RM6.1 million). These borrowings are subject to the fulfilment of the following significant covenants:

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

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

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

Istisna Medium Term Notes: Maintain a minimum Debt Service Cover Ratio of 1.25 times commencing from the second semi-annual profit payments date and the Debt/Equity Ratio of no more than 4:1.

Sukuk Medium Term Notes, Junior Sukuk and Commercial Papers: Maintain a Debt/Equity Ratio of no greater than 1.25:1 and Group Debt/Equity Ratio to be no greater than 7:1 at all times.

The profit rates and interest rates per annum for the above bank facilities range from 3.5% to 9.6% (2009: 2.9% to 9.0%) and at 12.0% (2009: from 12.0% to 16.0%) respectively.

(viii) The secured term loans of a subsidiary are charged at interest rates ranging from 4.0% to 5.0% per annum (2009: 3.86% to 6.0%). The facility was secured by debenture over the entire fixed and floating assets of the subsidiary. The term loan of Phase 1 is repayable in 24 quarterly instalments of RM1.8 million each and a final instalment of RM1.4 million. The term loan of Phase 1 instalment is to commence 12 months after the date of the completion of the construction of the Refuse Derived Fuel ("RDF") plant of the subsidiary. The term loan of Phase 2 is repayable in 20 quarterly instalments of RM600,000 and 20 quarterly instalments of RM1.0 million each. The term loan of Phase 2 instalment is to commence 24 months after the date of the completion of the construction of the RDF plant.

39 LAND LEASE RECEIVED IN ADVANCE

	<u>Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>RM'000</u>	<u>RM'000</u>
At cost:		
At 1 January	171,851	198,204
Additions during the financial year	13,218	13,895
Repayment on termination of agreement	-	(20,725)
Recognised as income during the financial year (Note 9(i))	(11,400)	(9,950)
Recognisable within next 12 months (included under other payables)	(11,405)	(9,573)
At 31 December	<u>162,264</u>	<u>171,851</u>

40 TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Current				
Trade payables	581,496	774,444	4,363	4,373
Other payables	377,122	245,766	10,726	11,377
Accruals	586,088	739,096	6,852	4,379
Land lease liabilities (Note 40(a))	4,165	6,487	-	-
Concession fee payable (Note 40(b))	12,000	8,000	-	-
Amount due to former corporate shareholders	223	277,223	-	-
Advances received on contracts (Note 42)	13,016	11,622	-	-
Amounts due to contract customers (Note 42)	7,651	6,961	-	-
Amounts due to associated company	11,290	13,569	-	-
Provision for retirement benefits (Note 40(c))	1,072	1,301	-	-
	<u>1,594,123</u>	<u>2,084,469</u>	<u>21,941</u>	<u>20,129</u>
Non-current				
Other payables	2,156	106,552	-	-
Concession fee payables (Note 40(b))	8,000	12,000	-	-
Land lease liabilities (Note 40(a))	14,498	14,774	-	-
	<u>24,654</u>	<u>133,326</u>	<u>-</u>	<u>-</u>
Total	<u>1,618,777</u>	<u>2,217,795</u>	<u>21,941</u>	<u>20,129</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

40 TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
The currency exposure profile of the trade and other payables are as follows:				
- Ringgit Malaysia	1,594,997	2,196,112	21,941	20,129
- US Dollar	22,319	19,050	-	-
- Others	1,461	2,633	-	-
	<u>1,618,777</u>	<u>2,217,795</u>	<u>21,941</u>	<u>20,129</u>

Credit terms of trade payables granted to the Group and Company vary from immediate payment to 90 days (2009: immediate payment to 90 days).

(a) Land lease liabilities

	Group	
	2010	2009
	RM'000	RM'000
Not later than 1 year	4,165	6,487
Later than 1 year and not later than 5 years	2,220	1,698
Later than 5 years	12,278	13,076
	<u>18,663</u>	<u>21,261</u>

Land lease liabilities are in respect of the airport land which was leased by a subsidiary from the Federal Land Commissioner for a period of 30 years commencing 1 November 2003 with an option to extend for a further period of 20 years upon terms and conditions as may be mutually agreed.

(b) Concession fee payable

	Group	
	2010	2009
	RM'000	RM'000
Not later than 1 year	12,000	8,000
Later than 1 year and not later than 5 years	8,000	12,000
	<u>20,000</u>	<u>20,000</u>

A Concession Agreement was entered by a subsidiary company with the Federal Government for a cumulative period of 50 years commencing 1 November 2003 to operate, manage and develop the Sultan Ismail Airport in Senai, Johor Darul Takzim. The said agreement is subject to the continued existence of the operating license granted by the Federal Government which was for a period of 50 years commencing on the same date with an option to extend for a further period upon terms and conditions as maybe mutually agreed.

40 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Provision for retirement benefits

	Group	
	<u>2010</u>	<u>2009</u>
	RM'000	RM'000
At 1 January	49,364	46,459
Acquisition through business combination	-	1,184
Disposal of a subsidiary	(7)	-
Charged to statement of comprehensive income (Note 9(i))	8,565	5,440
Utilised during the financial year	(3,102)	(3,719)
At 31 December	<u>54,820</u>	<u>49,364</u>
Analysed as:		
Current	1,072	1,301
Non-current	53,748	48,063
	<u>54,820</u>	<u>49,364</u>
Non-current		
Present value of unfunded obligations	<u>60,431</u>	<u>55,222</u>
The amount recognised in the statement of financial position may be analysed as follows:		
Present value of unfunded obligations	60,431	55,222
Unrealised actuarial losses	(5,611)	(5,858)
Net liability recognised in the statement of financial position	<u>54,820</u>	<u>49,364</u>
The expense recognised in the statement of comprehensive income is analysed as follows:		
Current service cost	5,914	4,840
Realised actuarial loss/(gain)	96	(1,822)
Interest cost	2,555	2,422
Expense recognised in the statement of comprehensive income	<u>8,565</u>	<u>5,440</u>
The principal actuarial assumptions used in respect of the subsidiaries' defined benefit plan are as follows:		
	<u>2010</u>	<u>2009</u>
	%	%
Discount rate	5.3 to 5.8	5.3 to 5.8
Interest cost	<u>5.0 to 6.7</u>	<u>5.0 to 6.7</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

41 DEFERRED INCOME

	Group	
	2010	2009
	RM'000	RM'000
At 1 January	56,739	-
Funds received during the financial year	84,635	71,355
Recognised as income during the financial year (Note 9(i))	(33,276)	(14,616)
Recognisable within next 12 months (included under other payables)	(8,659)	-
At 31 December	<u>99,439</u>	<u>56,739</u>

Deferred income is in respect of funds received by subsidiaries to promote the development of the Group's logistics business.

Deferred income of a subsidiary disposed of in the previous financial year related to the compensation from the Government of Malaysia for losses in revenue. The compensation was initially recorded as deferred income and subsequently recognised as revenue over the remaining concession period.

42 CONSTRUCTION CONTRACTS

	Group	
	2010	2009
	RM'000	RM'000
Aggregate costs incurred and recognised profits (less losses) to date	871,040	821,810
Progress billings	(858,143)	(796,939)
	<u>12,897</u>	<u>24,871</u>
Amounts due from contract customers (Note 29)	20,548	31,832
Amounts due to contract customers (Note 40)	(7,651)	(6,961)
	<u>12,897</u>	<u>24,871</u>
Advances received on contracts (Note 40)	(13,016)	(11,622)
Retentions on contracts	8,674	8,123

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

	Group	
	2010	2009
	RM'000	RM'000
Office rental	934	2,344
Hire of plant and machinery	351	798
Staff costs	50,725	34,246
Staff costs consists of the following:		
Salaries, wages and bonuses	49,619	33,985
Defined contribution plan	885	260
Other employee benefits	221	1
	<u>50,725</u>	<u>34,246</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

43 SEGMENTAL INFORMATION

Management has determined the operating segments based on reports reviewed by the Board of Directors and the working group consisting of Heads of Departments that makes strategic decisions.

The reportable segments of transport and logistics mainly derive their revenue from ports and airports while energy and utilities derive their revenue mainly from electricity generation, supply of natural gas and water treatment business; engineering and construction segment derive their revenue from infrastructure and construction projects.

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

a) Primary reporting format - Business segments

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2010					
Revenue					
Total	1,392,233	7,500,347	49,881	5,051	8,947,512
Inter-segment	(8,727)	(28,378)	(46,758)	-	(83,863)
External	1,383,506	7,471,969	3,123	5,051	8,863,649
Results					
Profit/(Loss) before zakat and taxation	180,620	761,623	(67,833)	(18,662)	855,748
Finance costs	145,354	1,148,069	75	161,838	1,455,336
Depreciation and amortisation	256,763	930,718	241	4,636	1,192,358
Earnings/(Loss) before interest, taxation, depreciation and amortisation	582,737	2,840,410	(67,517)	147,812	3,503,442

43 SEGMENTAL INFORMATION (CONTINUED)

a) Primary reporting format - Business segments (continued)

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2010					
Other information					
Segment assets	10,590,910	19,442,975	20,006	519,789	30,573,680
Jointly controlled entities	2,170	64,118	157,621	(4,628)	219,281
Associates	-	938,919	139,965	84,156	1,163,040
Interest-bearing instruments	383,890	3,564,731	4,842	109,080	4,062,543
Total assets					<u>36,018,544</u>
Segment liabilities	1,395,412	4,020,597	25,120	45,254	5,486,383
Interest-bearing instruments	3,175,885	13,409,510	19,000	3,524,538	20,128,933
Total liabilities					<u>25,615,316</u>
Other disclosures					
Capital expenditure	279,458	222,615	125	2,059	504,257
Depreciation	252,967	531,178	241	4,143	788,529
Amortisation of:					
- Rights on Power Purchase Agreement and Operations and Maintenance Agreement	-	434,073	-	-	434,073
- Prepaid lease payments	-	403	-	-	403
- Investment properties	-	11	-	493	504
- Development expenditure and intellectual property	-	267	-	-	267
- Rights on water treatment business	-	3,532	-	-	3,532
- Rights on airport business	3,796	-	-	-	3,796
Impairment loss	-	272,313	-	-	272,313

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

43 SEGMENTAL INFORMATION (CONTINUED)

a) Primary reporting format - Business segments (continued)

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
					(Restated)
2009					
Revenue					
Total	1,207,481	7,234,620	10,889	12,638	8,465,628
Inter-segment	(3,580)	(14,515)	(3,212)	-	(21,307)
External	1,203,901	7,220,105	7,677	12,638	8,444,321
Results					
Profit/(Loss) before taxation	174,815	731,079	(59,094)	(165,174)	681,626
Finance costs	120,269	1,158,344	810	119,084	1,398,507
Depreciation and amortisation	222,070	910,003	351	2,606	1,135,030
Earnings/(Loss) before interest, taxation, depreciation and amortisation	517,154	2,799,426	(57,933)	(43,484)	3,215,163

43 SEGMENTAL INFORMATION (CONTINUED)

a) Primary reporting format - Business segments (continued)

	Transport and logistics	Energy and utilities	Engineering and construction	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000 (Restated)
2009					
Other information					
Segment assets	10,431,254	19,812,206	54,376	414,123	30,711,959
Jointly controlled entities	2,021	64,118	199,758	14	265,911
Associates	-	1,266,212	244,195	104,878	1,615,285
Interest-bearing instruments	427,154	3,921,731	890	143,057	4,492,832
Total assets					<u>37,085,987</u>
Segment liabilities	1,685,994	4,328,649	22,182	41,415	6,078,240
Interest-bearing instruments	3,414,291	14,358,163	37,300	3,438,792	21,248,546
Total liabilities					<u>27,326,786</u>
Other disclosures					
Capital expenditure	543,857	181,881	-	817	726,555
Depreciation	219,540	512,457	351	2,415	734,763
Amortisation of:					
- Rights on Power Purchase Agreement and Operations and Maintenance Agreement	-	431,590	-	-	431,590
- Prepaid lease payments	-	393	-	-	393
- Investment properties	-	11	-	191	202
- Development expenditure and intellectual property	-	267	-	-	267
- Rights on water treatment business	-	3,532	-	-	3,532
- Rights on airport business	2,530	-	-	-	2,530
Impairment loss	-	138,640	-	332	138,972

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

43 SEGMENTAL INFORMATION (CONTINUED)

(b) Secondary reporting format – Geographical segments

The Group's operations are principally based in Malaysia. The foreign-based entities' revenue, results, assets and liabilities in comparison to the Group's figures are negligible. Accordingly, no segmental information based on geographical segment is disclosed.

44 SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

On 1 June 2009, the JV obtained an order to stay the proceedings of the Court Action from the Senior Assistant Registrar of the Court. On the same day, Wayss & Freytag filed an appeal to the High Court Judge against the order granted by the Senior Assistant Registrar. On 30 October 2009, the High Court dismissed with costs Wayss & Freytag's appeal.

The Court Action is therefore stayed pending resolution of the dispute through arbitration.

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

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

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

44 SIGNIFICANT CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

(d) On 3 November 2010, Prai Power Sdn Bhd (“PPSB”), a wholly-owned subsidiary of Malakoff Corporation Berhad, the Company’s 51% owned subsidiary, commenced 2 legal proceedings in the High Court against GE Energy Parts Inc (“GE Inc”), GE Power Systems (M) Sdn Bhd (“GE Power System”) and General Electric International, Inc. (“GEII”) (collectively referred to as “GE”), for GE’s breach of duty of care owed towards PPSB, in its capacity as the designers/manufacturers/suppliers of power plant equipment.

In the first legal suit, PPSB is claiming the sum of RM83,608,019 from GE, being the costs for the replacement of damaged rotor and the commercial losses arising from the reduction in capacity payments.

In the second legal suit, PPSB is claiming the sum of RM29,740,009 being the costs of the replacement of another damaged rotor and other consequential losses.

Based on solicitors’ advice, PPSB believes that it has relatively strong grounds for both claims.

(e) At 31 December 2010, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Bank guarantees issued to third parties for performance (secured/unsecured)	406,775	425,895	23	8

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

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

45 COMMITMENTS

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(a) Capital commitments:				
Property, plant and equipment				
Authorised but not contracted for	190,256	167,372	102	710
Authorised and contracted for	418,753	348,177	-	-
Total	609,009	515,549	102	710

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

45 COMMITMENTS (CONTINUED)

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

(b) Non-cancellable operating lease commitments

	Group	
	2010	2009
	RM'000	RM'000
(i) For computer hardware		
Not later than 1 year	3,560	4,240
Later than 1 year and not later than 5 years	2,441	6,001
	6,001	10,241
(ii) For the port area		
Not later than 1 year	28,455	28,455
Later than 1 year and not later than 5 years	121,904	119,058
Later than 5 years	1,767,968	1,799,269
	1,918,327	1,946,782
(iii) For rental of office building and equipment		
Not later than 1 year	3,826	4,389
Later than 1 year and not later than 5 years	1,102	4,544
	4,928	8,933
(iv) For rental of aircraft		
Not later than 1 year	6,996	-
Total	1,936,252	1,965,956

46 SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(a) Transactions				
Subsidiaries:				
Transfer of equity interest in a subsidiary company	-	-	315,089	305,701
Management fees paid to a subsidiary	-	-	480	480

46 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(a) Transactions (continued)				
Subsidiaries: (continued)				
Purchase of natural gas from the holding company of a subsidiary's shareholder, Petroliam Nasional Berhad ("PETRONAS")	1,304,406	1,303,684	-	-
Purchase of LPG from a company which shares a common holding company with one of the subsidiary's shareholder				
- Petronas Dagangan Berhad	15,372	11,168	-	-
Associated companies:				
Interest income on unsecured subordinated loan notes	67,943	66,883	-	-
Companies subject to common significant influence:				
Operation and maintenance fee expense	277,258	269,216	-	-
Operation and maintenance subcontract fee income	128,188	129,654	-	-
Dredging works	-	2,898	-	-
Rental expense	1,610	1,447	1,610	1,447

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

(b) Key management compensation

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Fees	999	985	482	628
Salaries and bonus	8,608	8,176	8,414	8,044
Defined contribution plan	1,629	1,184	1,284	719
Other employee benefits	5,201	3,939	827	775
	16,437	14,284	11,007	10,166

Key management includes Directors (executive and non-executive) and head of departments of the Groups and Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

47 COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:

Subsidiaries

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
Anglo-Oriental (Annuities) Sdn Bhd	Malaysia	100.0	100.0	Investment holding
Anglo-Oriental (Malaya) Sdn Bhd	Malaysia	100.0	100.0	Property and investment holding
Anglo-Oriental (Malaya) Trustees Sdn Bhd	Malaysia	100.0	100.0	Trust management
Labohan Dagang Galian Sdn Bhd	Malaysia	100.0	100.0	Investment holding
Pernas Charter Management Sdn Bhd	Malaysia	100.0	100.0	Provision of management services to holding company and fellow subsidiaries
MMC Frigstad Offshore Sdn Bhd	Malaysia	100.0	100.0	Property investment
MMC Marketing Sdn Bhd	Malaysia	100.0	100.0	Property investment
Timah Securities Berhad	Malaysia	100.0	100.0	Property investment
Tronoh Holdings (Selangor) Sdn Bhd	Malaysia	100.0	100.0	Property investment
MMC Engineering Group Berhad	Malaysia	100.0	100.0	Engineering, management services and investment holding
MMC Engineering & Construction Sdn Bhd	Malaysia	100.0	100.0	Civil engineering construction works
MMC Engineering Services Sdn Bhd	Malaysia	100.0	100.0	Specialised engineering construction works
MMC Oil & Gas Engineering Sdn Bhd	Malaysia	100.0	100.0	Specialised engineering design services
MMC Power Sdn Bhd	Malaysia	100.0	100.0	Erection of power transmission lines and installation of electrical and gas system
MMC Transport Engineering Sdn Bhd	Malaysia	100.0	100.0	Specialised engineering works
MMC-GTM Bina Sama Sdn Bhd	Malaysia	100.0	100.0	Contractor for civil engineering and construction works
MMC-Shapadu (Holdings) Sdn Bhd	Malaysia	76.0	76.0	Investment holding

47 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		<u>2010</u>	<u>2009</u>	
		%	%	
Pelepas-Brigantine Services Sdn Bhd	Malaysia	49.0	49.0	Repair, prepare and trade of containers, containerisation system and other related works
Tepat Teknik Sdn Bhd	Malaysia	70.0	70.0	Construction and fabrication
Tepat Teknik (Kejuruteraan) Sdn Bhd	Malaysia	70.0	70.0	Construction and fabrication
Pelabuhan Tanjung Pelepas Sdn Bhd	Malaysia	70.0	70.0	Port operations
Gas Malaysia Sdn Bhd	Malaysia	41.8	41.8	Construction and operation of natural gas distribution system
* Johor Port Berhad	Malaysia	100.0	100.0	Port operations
* MMC Zelan Sdn Bhd	Malaysia	60.0	-	Undertake, construct, maintain, manage/execute any Light Rail Transit (LRT) project in Malaysia or elsewhere and to carry out all related works thereto
Pelantar Teknik (M) Sdn Bhd	Malaysia	41.8	41.8	Property holding
Gas Malaysia (LPG) Sdn Bhd	Malaysia	41.8	41.8	Supply of liquefied petroleum gas via reticulation system
Recycle Energy Sdn Bhd	Malaysia	77.2	77.2	Conversion of municipal solid waste to energy
MMC-VME Sdn Bhd	Malaysia	61.0	61.0	Natural gas separation works
* JP Logistics Sdn Bhd	Malaysia	100.0	100.0	Providing logistics services
* JP Logistics Pte Ltd	Singapore	100.0	-	Providing logistics services
* Bernas Logistics Sdn Bhd	Malaysia	-	75.0	Providing logistics services
* Seaport Worldwide Sdn Bhd	Malaysia	100.0	100.0	Investment holding and property development
# MMC International Holdings Ltd	British Virgin Islands	100.0	100.0	Investment holding
# MMC Saudi Holdings Ltd	British Virgin Islands	100.0	100.0	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

47 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
# City Island Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
# MMC Utilities Limited	British Virgin Islands	100.0	100.0	Investment holding and provision of project management services
* MMC Saudi Arabia Ltd	Kingdom of Saudi Arabia	100.0	100.0	Investment holding
* Malakoff Corporation Berhad	Malaysia	51.0	51.0	Investment holding and provision of management services to its subsidiaries
* Malakoff Power Berhad (formerly known as Malakoff Power Sdn Bhd)	Malaysia	51.0	-	Operation and maintenance of power plants
* Segari Energy Ventures Sdn Bhd	Malaysia	47.8	47.8	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of power plant
* Teknik Janakuasa Sdn Bhd	Malaysia	51.0	51.0	Operation and maintenance of power plants
* GB3 Sdn Bhd	Malaysia	38.3	38.3	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant
* Prai Power Sdn Bhd	Malaysia	51.0	51.0	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant

47 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
* Tanjung Bin Power Sdn Bhd	Malaysia	45.9	45.9	Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of 2,100 MW coal fired electricity generating facilities and sale of electrical energy and generating capacity of the power plant
* Malakoff Engineering Sdn Bhd	Malaysia	51.0	51.0	Provision of engineering and project management services
* MESB Project Management Sdn Bhd	Malaysia	51.0	51.0	Provision of engineering and project management services
* Wirazone Sdn Bhd	Malaysia	51.0	51.0	Build, own and operate an electricity distribution system and a centralised chilled water plant system
* Hypergantic Sdn Bhd	Malaysia	51.0	51.0	Investment holding
* Desa Kilat Sdn Bhd	Malaysia	27.5	27.5	Land reclamation, development and/or sale of reclaimed land
* Malakoff AlDjazair Desal Sdn Bhd	Malaysia	51.0	51.0	Investment holding
* TJSB Global Sdn Bhd	Malaysia	51.0	51.0	Investment holding
* Tuah Utama Sdn Bhd	Malaysia	51.0	51.0	Investment holding
* Natural Analysis Sdn Bhd	Malaysia	51.0	51.0	Operation and maintenance of power plant
# Malakoff International Limited	Cayman Islands	51.0	51.0	Investment holding
# Malakoff Gulf Limited	British Virgin Islands	51.0	51.0	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

47 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2010	2009	
		%	%	
# Malakoff Technical (Dhofar) Limited	British Virgin Islands	51.0	51.0	Investment holding
# Malakoff Jordan Generation Limited	British Virgin Islands	51.0	51.0	Investment holding
* Tlemcen Desalination Investment Company SAS	France	35.7	35.7	Investment holding
# TJSB International Limited	Cayman Islands	51.0	51.0	Investment holding
# TJSB International (Shoaiba) Limited	British Virgin Islands	51.0	51.0	Investment holding
# TJSB Middle East Limited	British Virgin Islands	51.0	51.0	Investment holding
MMC AMEC Sdn Bhd	Malaysia	51.0	51.0	Engineering and design service for upstream and downstream oil and gas industry
++* Aliran Ihsan Resources Berhad	Malaysia	69.8	73.5	Investment holding
* Southern Water Corporation Sdn Bhd	Malaysia	69.8	73.5	Investment holding, water treatment and rehabilitation of water treatment plants, construction of water works
* Southern Water Technology Sdn Bhd	Malaysia	69.8	73.5	Construction of water work and water treatment plant
* Southern Water Engineering Sdn Bhd	Malaysia	69.8	73.5	Water treatment specialist and the operation, maintenance and provision of services related to water treatment and equipment
* Senai Airport Terminal Services Sdn Bhd	Malaysia	100.0	100.0	Operation and maintenance of airport terminal
* Senai High Tech Park Sdn Bhd	Malaysia	100.0	100.0	Property developer

47 COMPANIES IN THE GROUP (CONTINUED)

Inactive Subsidiaries

Name of company	Country of incorporation	Group's effective interest	
		2010 %	2009 %
* Anglo-Oriental do Brasil Ltda	Brazil	100.0	100.0
Bidor Malaya Tin Sdn Bhd	Malaysia	100.0	100.0
Dana Vision Sdn Bhd	Malaysia	100.0	100.0
Kramat Tin Dredging Berhad	Malaysia	52.9	52.9
* MMC Belgium NV (under members' voluntary liquidation)	Belgium	100.0	100.0
* MMC Exploration & Production (Thailand) Ltd (undergoing dissolution)	Thailand	-	100.0
* MMC Exploration & Production (BV)	Netherlands	100.0	100.0
* MMC Exploration & Production (Philippines) Pte Ltd	Samoa	100.0	100.0
MMC Ports Sdn Bhd	Malaysia	100.0	100.0
MMC Utilities Berhad	Malaysia	100.0	100.0
Projek Lebuhraya Timur Sdn Bhd	Malaysia	100.0	100.0
Southern Kinta Consolidated (M) Berhad	Malaysia	100.0	100.0
Southern Malayan Tin Dredging (M) Berhad	Malaysia	100.0	100.0
* MMC EG Co. Ltd	Mongolia	90.0	90.0
MMC Gas Sdn Bhd (under creditors' liquidation)	Malaysia	55.0	55.0
Timah Dermawan Sdn Bhd	Malaysia	-	51.8
* Tepat Teknik (Labuan) Ltd	Malaysia	70.0	70.0
Tepat Teknik (Sarawak) Sdn Bhd	Malaysia	70.0	70.0
Prentis Sdn Bhd	Malaysia	100.0	100.0
# MMC Ports Limited	British Virgin Islands	100.0	100.0
* Transpool Sdn Bhd	Malaysia	51.0	51.0
# Spring Assets Limited	British Virgin Islands	51.0	51.0
* Malakoff Capital (L) Ltd	Malaysia	51.0	51.0
# Malakoff Ras Azzour Limited	British Virgin Islands	51.0	51.0
* RNC Corporations Berhad (in liquidation)	Malaysia	73.5	73.5
* Enigma Harmoni Sdn Bhd	Malaysia	100.0	100.0
* Aturan Jernih Sdn Bhd	Malaysia	100.0	100.0
* Senai Airport Sdn Bhd	Malaysia	100.0	100.0
PTP – MISC Terminal Sdn Bhd (under members' voluntary liquidation)	Malaysia	49.0	49.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

47 COMPANIES IN THE GROUP (CONTINUED)

Associates

Name of company	Country of incorporation	Group's effective interest		Accounting date for inclusion of company results	Principal activities
		2010	2009		
		%	%		
++ * Integrated Rubber Corporation Berhad	Malaysia	-	20.1	Not applicable	Manufacture and trading of natural rubber latex gloves
++ Zelan Berhad	Malaysia	39.2	39.2	31.12.2010	Investment holding, civil engineering and construction of power plant and buildings
Kapar Energy Ventures Sdn Bhd	Malaysia	20.4	20.4	31.08.2010	Generation and sale of electricity
Port Dickson Power Berhad	Malaysia	12.8	12.8	30.06.2010	Generation and sale of electricity
* Lekir Bulk Terminal Sdn Bhd	Malaysia	10.2	10.2	31.12.2010	Bulk terminal jetty and coal handling services
* Malaysian Shoaiba Consortium Sdn Bhd	Malaysia	20.4	20.4	31.12.2010	Investment holding
* Saudi-Malaysia Water & Electricity Company Limited	Kingdom of Saudi Arabia	10.2	10.2	31.12.2010	Investment holding
* Shuaibah Water & Electricity Company Limited	Kingdom of Saudi Arabia	6.1	6.1	31.12.2010	Design, construction, commissioning, testing, ownership, operation and maintenance of oil fired power generation and water desalination plant
* Shuaibah Expansion Holding Company Limited	Kingdom of Saudi Arabia	6.1	6.1	31.12.2010	Drinking water production

47 COMPANIES IN THE GROUP (CONTINUED)

Associates (continued)

Name of company	Country of incorporation	Group's effective interest		Accounting date for inclusion of company results	Principal activities
		2010	2009		
		%	%		
* Shuaibah Expansion Project Company Limited	Kingdom of Saudi Arabia	6.0	6.0	31.12.2010	Development, construction, possession, operation and maintenance of Shuaibah expansion project 3 for water product at Shuaibah region, water transport and sale and all relevant works and activities
# Oman Technical Partners Limited	British Virgin Islands	22.1	22.1	31.12.2010	Investment holding
# Salalah Power Holdings Limited	Bermuda	22.1	22.1	31.12.2010	Investment holding
* Enara Energy Investment Company	Jordan	12.7	12.7	31.12.2010	Investment holding
* Central Electricity Generating Company Limited	Jordan	6.5	6.5	31.12.2010	Generate electrical energy in different regions of Jordan
* Al-Imtiaz Operation and Maintenance Company Limited	Kingdom of Saudi Arabia	10.2	10.2	31.12.2010	Implementation of operation and maintenance contracts for stations of electrical power generation and water desalination
* Saudi Malaysia Operation & Maintenance Services Company Limited	Kingdom of Saudi Arabia	10.2	10.2	31.12.2010	Operation and maintenance of power and water desalination plant
* Red Sea Gateway Terminal Company Limited	Kingdom of Saudi Arabia	20.0	20.0	31.12.2010	Operation and maintenance of container terminals

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

47 COMPANIES IN THE GROUP (CONTINUED)

Associates (continued)

Name of company	Country of incorporation	Group's effective interest		Accounting date for inclusion of company results	Principal activities
		2010	2009		
		%	%		
* Jazan Economic City Land Company	Kingdom of Saudi Arabia	50.0	50.0	31.12.2010	Development of Jazan Economic City in the Kingdom of Saudi Arabia
* Equiventures Sdn Bhd	Malaysia	34.2	36.0	31.12.2010	Water treatment and supply
* Strategi Tegas (M) Sdn Bhd	Malaysia	20.9	22.1	31.12.2010	Operate, maintain and manage water treatment works
* Hyflux-TJSB Algeria SPA	Algeria	24.9	24.9	31.12.2010	Operation and maintenance of sea water desalination plant

Inactive associates

Name of company	Country of incorporation	Group's effective interest	
		2010	2009
		%	%
* Ajil Minerals Sdn Bhd	Malaysia	49.0	49.0
* Tepat Teknik-VME Sdn Bhd	Malaysia	34.9	34.9
MMC Metrail Sdn Bhd	Malaysia	20.0	20.0
* M.O.S.T. Power JV Sdn Bhd	Malaysia	30.0	30.0
* Golden Solitaire (Australia) B.V (under members' voluntary liquidation)	Netherlands	59.5	59.5

47 COMPANIES IN THE GROUP (CONTINUED)

Jointly controlled entities

Name of company	Principal activities	Proportion of ownership interest	
		<u>2010</u>	<u>2009</u>
		%	%
* MMCE-Franky Consortium Joint Venture	Construction and completion of Kuantan-Kertih Railway Project Civil Works Package 2	60.0	60.0
* MMC-Gamuda Joint Venture	Design, engineering, procurement, construction, installation, testing and commissioning of Stormwater Management and Road Tunnel project	50.0	50.0
* Projek Smart Holdings Sdn Bhd	Investment holding	50.0	50.0
* Syarikat Mengurus Air Banjir dan Terowong Sdn Bhd	Undertakes the Stormwater Management and Road Tunnel project	50.0	50.0
* Whale Shark Maritime Sdn Bhd	Transportation of open market cargoes	20.0	20.0
* MMC-Gamuda Joint Venture Sdn Bhd	Undertakes Double Tracking project	50.0	50.0
* Almiyah Attilemcania SPA	Construction, operation and management of a sea water desalination plant & marketing the desalination water produced	18.2	18.2

The keys to the symbols used are as follows:

- * Audited by firms other than PricewaterhouseCoopers, Malaysia
- ++ Quoted companies
- # No legal requirement to appoint auditors

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 24 February 2010, Pelabuhan Tanjung Pelepas Sdn Bhd (“PTP”) increased its authorised share capital from RM250,000,000 to RM1,060,000,000 by the creation of an additional 810,000,000 ordinary shares of RM1.00 each. On 25 February 2010, PTP converted its outstanding Redeemable Convertible Subordinated Loans (“RCSL”) of RM527,848,644 into 527,848,644 new Ordinary Shares of RM1.00 each in accordance with the RCSL holders’ ratio. There is no impact on the Group’s interest in PTP which remains at 70.0%.
- (b) During the year, the Company and its wholly-owned subsidiary, Anglo Oriental (Malaya) Sdn Bhd, disposed 47,497,154 ordinary shares of RM0.50 each in Integrated Rubber Corporation Berhad (“IRCB”) representing 20.1% of the equity interest in IRCB for a total cash consideration of RM60.1 million resulting in a gain on disposal of RM45.9 million to the Group.
- (c) On 31 May 2010, Johor Port Berhad, a 100.0% owned subsidiary, disposed of 12,000,000 ordinary shares of RM1.00 each in Bernas Logistics Sdn Bhd (“Bernas Logistics”), representing 75.0% of the equity interest in Bernas Logistics for a total cash consideration of RM11.8 million resulting in a loss of RM1.8 million to the Group.
- (d) Effective 23 August 2010, PTP-MISC Terminal Sdn Bhd (“PTP-MISC”), a 49.0% owned semi-dormant subsidiary through Pelabuhan Tanjung Pelepas Sdn Bhd (“PTP”), has been put under liquidation. PTP-MISC has therefore ceased its business operations. The loss resulting from the liquidation is not expected to be material.
- (e) Anglo-Oriental (Annuities) Sdn Bhd, a wholly-owned subsidiary, had during the year disposed of 27,000,000 ordinary shares of Sime Darby Berhad (“Sime”) representing 0.45% of the equity interest in Sime for a total cash consideration of RM226.7 million resulting in a gain on disposal of RM181.2 million to the Group.
- (f) On 27 December 2010, the Company disposed of 4,000,000 ordinary shares of RM1.00 each in Timah Dermawan Sdn Bhd (“TDSB”), representing 51.8% of the equity interest in TDSB for a total cash consideration of RM822,063 resulting in a loss of RM3,582 to the Group.
- (g) On 29 December 2010, Anglo-Oriental (Annuities) Sdn Bhd, a 100.0% owned subsidiary, commenced liquidation on the 16,786,332 ordinary shares of RM1.00 each in MMC Exploration & Production (Thailand) Limited (“MMC Thailand”), representing 100.0% of the equity interest in MMC Thailand.

49 SIGNIFICANT POST BALANCE SHEET EVENT

On 31 January 2011, a tripping incident occurred at the Tanjung Bin power plant and caused a temporary failure of part of the power plant.

As at the date of signing this report, the preliminary estimate on the potential impact by the Management, after discussion with the original equipment manufacturer on the recovery plan, is not expected to be material.

50 FINANCIAL INSTRUMENTS

Forward foreign currency exchange contracts

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

Where there is exposure to foreign currency transaction risk, such transactions which materially impact the financial position of the subsidiary, forward foreign currency exchange contracts are entered into to limit the subsidiary's exposure on foreign currency with a value higher than RM100,000.

As at 31 December 2010, the settlement dates on open forward contracts are 3 months (2009: 3 months). The foreign currency amounts to be received and contractual exchange rates of the Group's outstanding contracts were as follows:

Hedged item	Currency to be received	RM'000 equivalent	Contractual rate
At 31 December 2010			
Trade receivables:			
- USD 7,525	USD	23	1 USD=RM3.0950
- SGD 44,478	SGD	106	1 SGD=RM2.3890
Future sales over the following 6 months:			
- USD 199,000	USD	622	1 USD=RM3.1269
- EURO 57,186	EURO	231	1 EURO=RM4.1550
- SGD 55,500	SGD	137	1 SGD=RM2.4030
At 31 December 2009			
Trade receivables:			
- USD 1,849,212	USD	6,343	1 USD=RM3.4299
Future sales over the following 6 months:			
- USD 113,956	USD	400	1 USD=RM3.5129
- EURO 333,000	EURO	1,685	1 EURO=RM5.0604
Future cost of sales over the following 6 months:			
- USD 93,501	USD	319	1 USD=RM3.4120

The net unrecognised profit on open contracts which hedge anticipated future foreign currency sales amounted to RM5,484 (2009: RM29,476). The net exchange gain is deferred until the related sales are transacted, at which time it is included in the measurement of such transactions.

The fair value of outstanding forward contracts of the Group at the end of reporting period was at a favourable net position of RM19,614 (2009: Favourable net position of RM26,439).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

50 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

The carrying amounts of recognised financial assets and liabilities of the Group and Company at the end of reporting period approximated their fair values other than as disclosed in the respective notes.

51 COMPARATIVE FIGURES

The following comparative figures on the face of the financial statements have been reclassified as the Directors are of the view it would better reflect the nature of the balances involved.

Group's consolidated statement of financial position

	Balances as at 31 December 2008		
	<u>As previously reported</u>	<u>Reclass of dividend accrued</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
Trade and other payable	1,910,166	(14,723)	1,895,443
Redeemable preference shares	114,051	14,723	128,774

	Balances as at 31 December 2009		
	<u>As previously reported</u>	<u>Reclass of dividend accrued</u>	<u>As restated</u>
	RM'000	RM'000	RM'000
Trade and other payable	2,104,981	(20,512)	2,084,469
Redeemable preference shares	114,051	20,512	134,563

The above reclassifications have no impact on the net profit attributable to shareholders.

52 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated retained earnings or accumulated losses into realised and unrealised on Group and Company basis, in the annual audited financial statements.

The retained earnings as at reporting date are analysed as follows:

	<u>Balances as at 31 December 2010</u>	
	<u>Group</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>
Total retained earnings of the Company and its subsidiary companies:		
- Realised profits	2,660,981	2,368,196
- Unrealised profits/(losses)	86,960	(457)
	<u>2,747,941</u>	<u>2,367,739</u>
Total accumulated losses from associated companies:		
- Realised losses	(143,117)	-
- Unrealised losses	(28,371)	-
	(171,488)	-
Total accumulated losses from jointly controlled entities:		
- Realised losses	(25,787)	-
- Unrealised losses	(24,794)	-
	(50,581)	-
	<u>2,525,872</u>	<u>2,367,739</u>
Less: Consolidation adjustments	(31,201)	-
	<u>2,494,671</u>	<u>2,367,739</u>

Comparative figures are not required in the first financial year of complying with the realised and unrealised profit/losses disclosure by Bursa Malaysia Securities Berhad.

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
PTD No. 2423, Tanjung Kupang, District of Johor Bahru, Johor Darul Takzim	Leasehold	349.04	Port terminal, office buildings, commercial & industrial land	2099))))		11	2000
PTD Nos. 2424-2504, 2514, 2516, 2517, 2520, 2521, Tanjung Kupang, District of Johor Bahru	Leasehold	726.52	Commercial & industrial land	2099))))	1,947,005	-	2000
PTD No. 1586, Serkat, District of Pontian, Johor Darul Takzim	Grant in perpetuity	114.92	Land for port terminal & buildings	-)))		-	2001
PTD No. 2519, Tanjung Kupang, District of Johor Bahru	Leasehold	0.22	Commercial & Industrial land	2033))		-	2000
PTD No. 3161, Tanjung Kupang, District of Johor Bahru	Leasehold	2.80	Building	2107))		-	2008
H.S. (D) 23569, PTD 8797, Mukim of Senai, District of Kulaijaya, State of Johor Darul Takzim	Leasehold	495.98	Senai International Airport	2033	858,500	7	2003
PTD Nos. 1836-1838, 1851 & 1357, Serkat/Sg. Karang, District of Pontian, Johor Darul Takzim	Leasehold	912.78	Industrial/vacant	2103	513,719	5	2005
Plentong, District of Johor Bahru, Johor Darul Takzim	Leasehold	112.10	Berths 7-11	2052	137,954	13	1997
Plentong, District of Johor Bahru, Johor Darul Takzim	Leasehold	13.44	Container berths 1 & 2	2052	89,708	18	1992
Mukim of Serkat, District of Pontian, Johor Darul Takzim	Leasehold	362.43	Industrial land with power plant	2048	77,614	4	2003
Plentong, District of Johor Bahru, Johor Darul Takzim	Leasehold	-	Dangerous cargo jetty 4	2052	34,246	11	1999
Plentong, District of Johor Bahru, Johor Darul Takzim	Leasehold	-	Dangerous cargo jetty	2052	23,372	18	1992
Mukim Ulu Sepetang, Taiping, Perak Darul Ridzuan	Freehold	737.90	Oil palm plantation	-	21,516	-	1994
Lot Nos. 762 & 763, Setul, District of Seremban	Leasehold	5.56	Factory building	2089	20,952	19	1992

SHAREHOLDING STATISTICS

as at 15 March 2011

Class of securities	:	Ordinary Shares of RM0.10 each
Authorised Share Capital	:	RM1,000,000,000.00
Issued paid-up Capital	:	RM304,505,855.20
Voting rights	:	1 vote per Ordinary Share
No. of shareholders	:	9,275

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct	%	Indirect	%
Amanahraya Trustees Berhad (Skim Amanah Saham Bumiputera)	507,686,300	16.67	-	-
Citigroup Nominees (Tempatan) Sdn. Bhd. (Employees' Provident Fund Board)	279,600,300	9.18	-	-
Seaport Terminal (Johore) Sdn. Bhd.	1,576,108,840	51.76	-	-
Indra Cita Sdn. Bhd.	-	-	*1,576,108,840	51.76
Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor	-	-	@1,576,108,840	51.76

Notes: * deemed interested through Seaport Terminal (Johore) Sdn. Bhd.

@ deemed interested through Indra Cita Sdn. Bhd.

ANALYSIS BY SIZE OF SHAREHOLDING

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	225	2.43	6,825	0.00
100 - 1,000	1,266	13.65	1,017,903	0.03
1,001 - 10,000	5,841	62.98	26,190,578	0.86
10,001 – 100,000	1,607	17.33	46,375,196	1.52
100,001 to less than 5% of issued shares	333	3.59	708,244,010	23.26
5% and above of issued shares	3	0.03	2,263,224,040	74.32
TOTAL	9,275	100.00	3,045,058,552	100.00

DIRECTORS' INTEREST AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

None of the directors have any direct or indirect interest in the Company or in a related corporation.

THIRTY LARGEST SHAREHOLDERS

No	Name	No. of shares held	% of issued capital
1	Seaport Terminal (Johore) Sdn. Bhd.	1,493,108,840	49.03
2	Amanahraya Trustees Berhad - Skim Amanah Saham Bumiputera	507,686,300	16.67
3	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees' Provident Fund Board	262,428,900	8.62
4	Permodalan Nasional Berhad	137,368,200	4.51
5	Public Nominees (Tempatan) Sdn. Bhd. - Pledged securities account for Seaport Terminal (Johore) Sdn. Bhd. (PBL)	83,000,000	2.73
6	Kumpulan Wang Persaraan (Diperbadankan)	63,755,400	2.09
7	Amanahraya Trustees Berhad - Amanah Saham Wawasan 2020	52,473,400	1.72
8	Cartaban Nominees (Asing) Sdn. Bhd. - Exempt AN for State Street Bank & Trust Company (West CLT OD67)	23,173,792	0.76
9	Valuecap Sdn. Bhd.	19,477,000	0.64
10	Lembaga Tabung Haji	19,208,900	0.63
11	Amanahraya Trustees Berhad - Amanah Saham Didik	18,296,800	0.60
12	Amanahraya Trustees Berhad - Public Islamic Dividend Fund	12,373,200	0.41
13	HSBC Nominees (Asing) Sdn. Bhd. - BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	11,691,500	0.38
14	Citigroup Nominees (Asing) Sdn. Bhd. - CBNY for Dimensional Emerging Markets Value Fund	10,879,779	0.36
15	Amanahraya Trustees Berhad - Amanah Saham Malaysia	10,050,000	0.33
16	Citigroup Nominees (Tempatan) Sdn. Bhd. - Exempt AN for American International Assurance Berhad	8,801,500	0.29

No	Name	No. of shares held	% of issued capital
17	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)	7,275,834	0.24
18	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (Norges BK NLEnd)	6,382,500	0.21
19	Citigroup Nominees (Asing) Sdn. Bhd. - CBHK PBGSGP for Sunnyvale Holdings Ltd	6,362,100	0.21
20	Cartaban Nominees (Asing) Sdn. Bhd. - State Street Luxembourg Fund AD69 for Allianz Global Investors Fund-Allianz RCM Oriental Income	6,321,000	0.21
21	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for Hongkong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)	5,770,900	0.19
22	HSBC Nominees (Asing) Sdn. Bhd. - BNYM SA/NV for Invesco Asean Equity Fund	5,750,000	0.19
23	Amanahraya Trustees Berhad - Public Islamic Equity Fund	5,444,100	0.18
24	Amanahraya Trustees Berhad - Sekim Amanah Saham Nasional	5,000,000	0.16
25	Amanahraya Trustees Berhad - Public Islamic Asia Dividend Fund	4,739,600	0.16
26	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (AM Inv)	4,000,000	0.13
27	Citigroup Nominees (Tempatan) Sdn. Bhd. - Employees Provident Fund Board (RHB Inv)	3,500,000	0.11
28	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	3,398,100	0.11
29	HSBC Nominees (Asing) Sdn. Bhd. - Exempt AN for JPMorgan Chase Bank, National Association (BVI)	3,315,400	0.11
30	Amsec Nominees (Tempatan) Sdn. Bhd. - AmTrustee Berhad for CIMB Islamic Dali, Equity Growth Fund (UT-CIMB-DALI)	3,217,300	0.11
TOTAL		2,804,250,345	92.09



PROXY FORM

Total number of proxy(ies) appointed		
Proportion of his holdings to be represented by each proxy	Proxy 1 %	Proxy 2 %
Total number of ordinary shares held		
CDS Account No.		

I/We, _____
 (block letters)

of _____

being a member/members of MMC CORPORATION BERHAD hereby appoint _____

of _____

or failing him, the Chairman of the meeting to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Nirwana Ballroom, Lower Lobby, Crowne Plaza Mutiara Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 16 May 2011 at 11.00 a.m., and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting:

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

1.	To consider the Audited Financial Statements and the Reports of the Directors and Auditors thereon.		
ORDINARY RESOLUTIONS		FOR	AGAINST
2.	Declaration of Dividend (Resolution 1)		
3.	Re-election of Directors pursuant to Article 78: (a) Encik Ooi Teik Huat (Resolution 2) (b) Datuk Hj Hasni Harun (Resolution 3)		
4.	Re-appointment of Dato' Wira Syed Abdul Jabbar Syed Hassan pursuant to Section 129(2) of the Companies Act, 1965. (Resolution 4)		
5.	Re-appointment of Dato' Abdullah Mohd Yusof pursuant to Section 129(2) of the Companies Act, 1965. (Resolution 5)		
6.	Re-appointment of Auditors (Resolution 6)		

Signature : _____

Date: _____

NOTES:

- This proxy form must be deposited at the Registrar's office, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Blok D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia not less than forty-eight (48) hours before the meeting.
- A member of the Company may appoint up to two (2) proxies to attend the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be presented by each proxy.
- In the case of a corporation, this proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company and a member may appoint any person to be his proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- A corporation may by resolution of its Directors or other governing body, if it is a member of the Company, authorise such person as it thinks fit to act as its representative and a person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the company.
- In the case of joint holders, the vote of the senior member who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register.
- Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he/she thinks fit.

fold here

To

The Registrar

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

Affix
Stamp

fold here



MMC Corporation Berhad 30245-H

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

www.mmc.com.my