

Condensed Consolidated Statement of Comprehensive Income
Quarterly report on unaudited consolidated results
for the period ended 30 June 2018

	3 months ended 30.06.18 RM'000 (Unaudited)	3 months ended 30.06.17 RM'000 (Unaudited)	Cumulative 6 months ended 30.06.18 RM'000 (Unaudited)	Cumulative 6 months ended 30.06.17 RM'000 (Unaudited)
Revenue	1,200,819	944,425	2,480,502	1,869,657
Cost of sales	(812,083)	(591,516)	(1,718,363)	(1,157,125)
Gross profit	388,736	352,909	762,139	712,532
Other operating income				
- items relating to investments	-	-	15,233	-
- others	31,546	25,552	61,454	67,100
Administrative expenses	(174,925)	(169,749)	(343,558)	(333,059)
Other operating expenses	(120,707)	(83,534)	(227,026)	(175,492)
Finance costs	(130,036)	(117,960)	(259,230)	(238,952)
Share of results of:				
- associates	19,221	49,416	53,949	106,319
- joint ventures	26,263	44,856	41,384	56,411
Profit before zakat and taxation	40,098	101,490	104,345	194,859
Tax expense	(10,692)	(30,415)	(19,397)	(57,300)
Profit for the financial period	29,406	71,075	84,948	137,559
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Movement in associates' capital reserves	(63,848)	-	(19,502)	-
Fair value adjustment-cash flow hedge	11,252	(7,314)	2,596	(19,494)
Currency translation differences	13,357	(9,625)	(884)	(14,554)
Items that will not be reclassified subsequently to profit or loss:				
Net changes in investments securities at Fair Value Through Other Comprehensive (Loss)/Income ("FVTOCI")	(6,204)	2,410	(6,305)	13,665
Other comprehensive loss for the financial period	(45,443)	(14,529)	(24,095)	(20,383)
Total comprehensive (loss)/income for the financial period	(16,037)	56,546	60,853	117,176
Profit attributable to:				
Owners of the Parent	20,075	59,812	61,421	115,936
Non-controlling interests	9,331	11,263	23,527	21,623
	29,406	71,075	84,948	137,559
Total comprehensive income attributable to:				
Owners of the Parent	(25,368)	45,283	37,326	95,553
Non-controlling interests	9,331	11,263	23,527	21,623
	(16,037)	56,546	60,853	117,176
Earnings per share attributable to owners of the Parent				
- Basic (sen)	0.7	2.0	2.0	3.8

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

Condensed Consolidated Statement of Financial Position

	As at 30.06.18 RM' 000 (Unaudited)	As at 31.12.17 RM' 000 (Restated)	As at 1.1.17 RM' 000 (Restated)
Non-Current Assets			
Property, plant and equipment	9,367,456	7,088,789	7,011,050
Investment properties	1,252,444	1,236,276	1,258,269
Interests in associates	4,416,087	4,505,766	4,558,660
Investments in joint arrangements	309,834	553,981	313,141
Investment securities	3,414	3,088	3,352
Inventories	1,883,736	1,861,811	1,734,356
Trade and other receivables	372,427	313,120	109,362
Derivative financial instruments	-	-	5,154
Intangible assets	2,340,264	2,964,383	2,914,441
Deferred tax assets	779,146	717,255	770,377
	<u>20,724,808</u>	<u>19,244,469</u>	<u>18,678,162</u>
Current Assets			
Inventories	130,929	119,082	211,294
Trade and other receivables	2,558,434	2,209,596	2,329,908
Derivative financial instruments	2,777	3,868	21,241
Tax recoverable	124,440	71,724	42,620
Investments securities	26,526	-	77,642
Deposits, bank and cash balances	827,776	1,005,525	1,224,409
	<u>3,670,882</u>	<u>3,409,795</u>	<u>3,907,114</u>
Assets held for sale	<u>148,454</u>	<u>148,454</u>	<u>149,228</u>
Total Assets	<u><u>24,544,144</u></u>	<u><u>22,802,718</u></u>	<u><u>22,734,504</u></u>
Equity and Liabilities			
Equity attributable to owners of the Parent			
Share capital	2,344,276	2,344,276	304,506
Reserves	7,197,611	7,160,285	9,228,060
	<u>9,541,887</u>	<u>9,504,561</u>	<u>9,532,566</u>
Non-controlling interests	741,127	717,797	697,952
Total equity	<u>10,283,014</u>	<u>10,222,358</u>	<u>10,230,518</u>
Non-Current Liabilities			
Redeemable preference shares	33,349	33,349	50,023
Borrowings	8,418,866	7,474,881	7,551,654
Land lease received in advance	237,758	235,756	254,229
Provision for retirement benefits	130,291	16,595	15,486
Deferred income	219,336	230,308	259,465
Deferred tax liabilities	549,337	543,408	527,653
Trade and other payables	387,925	311,866	308,792
	<u>9,976,862</u>	<u>8,846,163</u>	<u>8,967,302</u>
Current Liabilities			
Borrowings	1,652,154	1,350,043	1,494,684
Trade and other payables	2,603,102	2,343,477	1,999,840
Tax payables	2,846	3,278	12,843
Deferred income	26,166	29,259	29,302
Derivative financial instruments	-	8,140	15
	<u>4,284,268</u>	<u>3,734,197</u>	<u>3,536,684</u>
Total Liabilities	<u>14,261,130</u>	<u>12,580,360</u>	<u>12,503,986</u>
Total equity and liabilities	<u><u>24,544,144</u></u>	<u><u>22,802,718</u></u>	<u><u>22,734,504</u></u>
Net assets per share attributable to owners of the Parent (sen)	313	312	303

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 June 2018

	Attributable to owners of the parent					Retained earnings RM'000	Total RM'000	Non- controlling interests (NCI) RM'000	Total equity RM'000
	Non-distributable			Distributable					
	Share capital RM'000	Currency translation reserve RM'000	Revaluation reserve* RM'000	FVTOCI reserves RM'000	Cash flow hedge reserves RM'000				
At 1 January 2018 (as restated)	2,344,276	63,580	28,120	3,066	4,588	7,060,931	9,504,561	717,797	10,222,358
As previously stated	2,344,276	63,580	28,120	3,066	4,588	7,071,281	9,514,911	717,797	10,232,708
Prior year adjustment	-	-	-	-	-	(10,350)	(10,350)	-	(10,350)
Net profit for the financial period	-	-	-	-	-	61,421	61,421	23,527	84,948
Other comprehensive loss	-	(1,221)	-	(6,305)	(16,569)	-	(24,095)	-	(24,095)
Total comprehensive (loss)/ income for the financial period	-	(1,221)	-	(6,305)	(16,569)	61,421	37,326	23,527	60,853
Acquisition of NCI	-	-	-	-	-	-	-	(197)	(197)
At 30 June 2018	2,344,276	62,359	28,120	(3,239)	(11,981)	7,122,352	9,541,887	741,127	10,283,014

* - The revaluation reserves relates to business combination of a subsidiary prior to the adoption of MFRS.

The Condensed Consolidated Statement Of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

Condensed Consolidated Statement of Changes in Equity for the financial period ended 30 June 2017

	Attributable to owners of the parent								Total RM'000	Non- controlling interests (NCI) RM'000	Total equity RM'000
	Non-distributable			Distributable							
	Share capital RM'000	Share premium RM'000	Currency translation reserve RM'000	Revaluation reserve* RM'000	FVTOCI reserves RM'000	Cash flow hedge reserves RM'000	Capital** reserves RM'000	Retained earnings RM'000			
At 1 January 2017	304,506	2,039,770	98,085	28,120	59,922	31,085	374,945	6,596,133	9,532,566	697,952	10,230,518
Transition to no-par value regime on 31 January 2017 (Note a)	2,039,770	(2,039,770)	-	-	-	-	(374,945)	374,945	-	-	-
Net profit for the financial period	-	-	-	-	-	-	-	115,936	115,936	21,623	137,559
Other comprehensive (loss)/income	-	-	(14,554)	-	13,665	(19,494)	-	-	(20,383)	-	(20,383)
Total comprehensive (loss)/ income for the financial period	-	-	(14,554)	-	13,665	(19,494)	-	115,936	95,553	21,623	117,176
Compulsory acquisition of NCI	-	-	-	-	-	-	-	660	660	-	660
At 30 June 2017	2,344,276	-	83,531	28,120	73,587	11,591	-	7,087,674	9,628,779	719,575	10,348,354

Note a

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium of RM2,039,770,000 has been transferred to the share capital account. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition. Pursuant to subsection 618(3) and 618(4) of the New Act, the Group may exercise its right to use the credit amounts being transferred from share premium accounts within 24 months after the commencement of the New Act.

* - The revaluation reserves relates to business combination of a subsidiary prior to the adoption of MFRS.

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

The Condensed Consolidated Statement Of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

Condensed Consolidated Statement of Cash Flows

	6 months ended <u>30.06.18</u> RM' 000 (Unaudited)	6 months ended <u>30.06.17</u> RM' 000 (Unaudited)
Cash flows from operating activities		
Profit before zakat and taxation	104,345	194,859
Adjustments for:		
Non-cash items	229,759	241,374
Interest expense	259,230	238,952
Interest income	(9,987)	(7,133)
Dividend income	-	(575)
Share of results in associates and joint ventures	(95,333)	(162,730)
Operating profit before working capital changes	488,014	504,747
Changes in working capital:		
Net change in inventories	(28,125)	(30,830)
Net change in other current assets	(315,550)	(220,592)
Net change in current liabilities	141,785	149,812
Cash generated from operations	286,124	403,137
Designated account and pledged deposits	1,716	5,824
Net tax paid	(50,164)	(104,889)
Land lease received in advance	15,103	15,103
Retirement benefits paid	-	(20)
Net cash generated from operating activities	252,779	319,155
Cash flows from investing activities		
Net cash outflow from acquisition of a subsidiary	(23,452)	-
Purchase of additional shares in a subsidiary from non-controlling interests	(197)	-
Investment in joint ventures	-	(180,800)
Purchase of property, plant and equipment	(495,284)	(200,073)
Purchase of intangible assets	(43)	(31,497)
Purchase of investment properties	(20,042)	-
Proceeds from sale of property, plant and equipment	-	846
Interest received	9,987	7,133
Dividend received from:		
- Associates	105,271	100,956
- Joint Ventures	14,000	25,000
- Others	-	575
Net cash used in investing activities	(409,760)	(277,860)
Cash flows from financing activities		
Repayment of term loans	(1,437,699)	(535,780)
Drawdown of term loans	1,678,710	351,922
Interest paid	(259,230)	(238,952)
Net cash used in financing activities	(18,219)	(422,810)
Net decrease in cash and cash equivalents	(175,200)	(381,515)
Effects of changes in exchange rate	(884)	(14,554)
Cash and cash equivalents at beginning of financial period	980,049	1,193,157
Cash and cash equivalents at end of financial period	803,965	797,088
Cash and cash equivalents comprise:		
Deposits and bank balances	827,776	822,516
Designated accounts	(23,211)	(24,879)
Pledge deposits	(549)	(549)
Bank overdrafts	(51)	-
	803,965	797,088

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

Notes to the interim financial statements

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting and Appendix 9B (Part A) of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2017.

The audited financial statements of the Group for the financial year ended 31 December 2017 were prepared in accordance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The significant accounting policies and methods adopted in these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2017.

Effective from 1 January 2018, the Group adopted the following:

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" (Annual Improvements to MFRS Standards 2014-2016 Cycle)

- Amendments to MFRS 128 Investments in Associates and Joint Ventures
- Amendments to MFRS 140 Investment Property - Transfers of Investment Property
- IC Interpretations 22 Foreign Currency Transactions and Advance Consideration

The adoption of the above did not have any material impact on the financial statements of the Group in the period of application, except for MFRS 15 Revenue as disclosed in Note 2.

Malaysian Accounting Standards Board had issued the following new standards which are effective for the financial periods:

- (i) Financial year beginning on or after 1 January 2019:
- MFRS 16 Leases
 - IC Interpretation 23 Uncertainty over Income Tax Treatments
 - Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
 - Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation
 - Amendments to MFRS 11 Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
 - Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
 - Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
 - Amendments to MFRS 128 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures

(ii) Date yet to be announced by MASB:

- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures - Sale or contribution of assets between an investor and its associates/joint ventures. The effective date of these amendments had been deferred and yet to be announced by the Malaysian Accounting Standards Board.

The Group did not early adopt the aforementioned new standards and is currently assessing their impact.

2. Adoption of MFRS 15 Revenue

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The effects arising from the initial application are as follows:

Impact of adoption of MFRS 15 to opening balance at 1 January 2018

	As previously reported	Adjustment	As restated
	RM' 000	RM' 000	RM' 000
Interests in associates	4,516,116	(10,350)	4,505,766
Retained earnings	7,071,281	(10,350)	7,060,931

3. Audit qualification

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

4. Seasonal or cyclical factors

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

5. Unusual items

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

6. Changes in financial estimates

There was no material change in financial estimates reported in prior interim periods that could materially affect the current interim results.

7. Equity securities

There was no issuance, cancellation, repurchase, resale and repayment of equity securities during the current quarter ended 30 June 2018.

8. Dividend paid

There was no dividend paid during the current quarter ended 30 June 2018.

9. Segment Reporting

a) Current Quarter Ended 30 June 2018 (3 months)

	Ports & Logistics	Energy & Utilities	Gas Energy	Engineering	Investment Holding, Corporate & Others	Total
	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil
<u>QTD 30.06.2018</u>						
<u>Revenue</u>						
Total	744	-	-	496	22	1,262
Inter-segment	(4)	-	-	(57)	-	(61)
External	740	-	-	439	22	1,201
<u>Results</u>						
Profit/(loss) before zakat and taxation	70	15	11	78	(134)	40
Finance costs	53	-	-	1	76	130
Depreciation and Amortisation	122	-	-	3	9	134
EBITDA*	245	15	11	82	(49)	304
<u>QTD 30.06.2017</u>						
<u>Revenue</u>						
Total	706	-	-	279	20	1,005
Inter-segment	(2)	-	-	(59)	-	(61)
External	704	-	-	220	20	944
<u>Results</u>						
Profit/(loss) before zakat and taxation	118	10	39	58	(124)	101
Finance costs	41	-	-	-	77	118
Depreciation and Amortisation	112	-	-	1	7	120
EBITDA*	271	10	39	59	(40)	339

*EBITDA - Earnings/(loss) before interest, tax, depreciation and amortisation.

b) Current Financial Period Ended 30 June 2018 (6 months)

	Ports & Logistics	Energy & Utilities Gas	Energy Energy	Engineering	Investment Holding, Corporate & Others	Total
	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil
<u>FPE 30.06.2018</u>						
<u>Revenue</u>						
Total	1,401	-	-	1,151	43	2,595
Inter-segment	(6)	-	-	(108)	-	(114)
External	1,395	-	-	1,043	43	2,481
<u>Results</u>						
Profit/(loss) before zakat and taxation	137	32	32	152	(249)	104
Finance costs	95	-	-	1	163	259
Depreciation and Amortisation	223	-	-	4	23	250
EBITDA*	455	32	32	157	(63)	613
<u>FPE 30.06.2017</u>						
<u>Revenue</u>						
Total	1,422	-	-	487	39	1,948
Inter-segment	(5)	-	-	(73)	-	(78)
External	1,417	-	-	414	39	1,870
<u>Results</u>						
Profit/(loss) before zakat and taxation	242	21	77	85	(230)	195
Finance costs	83	-	-	3	153	239
Depreciation and Amortisation	208	-	-	3	21	232
EBITDA*	533	21	77	91	(56)	666

*EBITDA - Earnings/(loss) before interest, tax, depreciation and amortisation.

10. Property, plant and equipment

There was no revaluation of property, plant and equipment during the current quarter ended 30 June 2018.

11. Material events subsequent to the end of current interim period

There was no material event subsequent to the end of the current quarter.

12. Changes in composition of the Group

a) On 1 May 2018, MMC Port Holdings Sdn Bhd ("MMC Port"), a wholly-owned subsidiary of MMC had completed the acquisition of the remaining 37,459,501 ordinary shares in Penang Port Sdn Bhd ("PPSB"), representing approximately 51.0% ordinary equity interest in PPSB for a cash consideration of RM220.0 million. Following the completion of the acquisition, PPSB has become a wholly-owned subsidiary of MMC Port.

As at the reporting date, Management has yet to finalize the Purchase Price Allocation ("PPA") exercise in respect of the aforementioned acquisition. In accordance with MFRS 3 Business Combination, Management has 12 months from the date of the completion of the aforementioned acquisition to complete the PPA exercise.

b) On 18 May 2018, SPJ Corporation Berhad ("SPJ"), a wholly owned subsidiary of Senai Airport Terminal Services Sdn Bhd ("SATSSB") which in turn is a wholly owned subsidiary of MMC, has passed a special resolution to wind-up SPJ vide members' voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act, 2016 ("Liquidation"). The Liquidation will not have any material effect on the

earnings, net assets and gearing of MMC Group for the financial year ending 31 December 2018.

13. Changes in contingent liabilities or contingent assets

There was no change in contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 December 2017 except for the following bank guarantees issued to third parties:

	30.06.18	31.12.17
	RM mil	RM mil
Subsidiaries	242.3	220.2

Bank guarantees issued to third parties are mainly in relation to performance bonds and payment guarantees for utilities facilities.

14. Provision of financial assistance

Pursuant to paragraph 8.23(1)(ii) of Bursa Securities Listing Requirements, the financial assistance provided by MMC is as follows:

- a) MMC and Gamuda Berhad ("Gamuda") joint venture was awarded the Underground Works Package for the Klang Valley Mass Rapid Transit ("KVMRT") Sungai Buloh-Kajang ("SBK") Line in 2012. MMC and Gamuda then established a joint venture company known as MMC Gamuda KVMRT (T) Sdn Bhd, a special purpose vehicle ("SPV"), to undertake the underground works package with each holding 50% interest. As required under the award, MMC and Gamuda have issued Parent Company Guarantees to guarantee the due performance and obligations of the SPV.

- b) On 13 July 2015, MMC and Gamuda's jointly-controlled entity, MMC Gamuda KVMRT (PDP SSP) Sdn Bhd, a SPV with each holding 50% interest, executed the Project Delivery Partner (PDP) Agreement for the KVMRT Sungai Buloh-Serdang-Putrajaya ("SSP") Line. As required under the award, MMC and Gamuda have issued Parent Company Guarantees to guarantee the due performance and obligations of the SPV.
- c) On 31 March 2016, MMC Gamuda KVMRT (T) Sdn Bhd, a jointly-controlled entity of MMC and Gamuda, has been awarded the Underground Works Package for the KVMRT SSP Line. As required under the award, MMC and Gamuda have issued Parent Company Guarantees to guarantee the due performance and obligations of the SPV.

As at reporting date, the aforementioned guarantees have not been called as the SPVs are fulfilling their performance and obligations required under the Projects.

15. Capital commitments

Capital commitments of the Group not provided for in the interim financial report are as follows:

	30.06.18	31.12.17
	RM mil	RM mil
Property, plant and equipment:		
Authorised and contracted for	473.7	507.0
	<hr/>	<hr/>

Additional information required by the Bursa Securities Listing Requirements

16. Review of performance

a) Current quarter compared with the corresponding quarter of the preceding year (three-months)

For the quarter ended 30 June 2018, the Group recorded RM1,200.8 million in revenue, a 27.1% increase from RM944.4 million reported in the corresponding quarter ended 30 June 2017, due to work progress from KVMRT-SSP Line and effect from consolidation of PPSB's revenue. However, these were offset with lower contribution from RAPID Material Offloading Facilities ("RAPID MOLF") operations at Johor Port Berhad ("JPB") and lower container volume handled at Northport (Malaysia) Bhd ("NMB").

The Group's Profit before zakat and taxation decreased to RM40.1 million compared with RM101.5 million reported in the corresponding quarter ended 30 June 2017, mainly due to the following:

- i. Lower contribution from JPB and NMB as explained above; and
- ii. Lower share of profit from Malakoff attributed to lower contribution from Segari Energy Venture's ("SEV") plant and lower fuel margin recorded at coal plants.

These were compensated by higher contribution from KVMRT-SSP Line as well as effect from PPSB's consolidated result following completion of acquisition of remaining 51% equity interest on 1 May 2018.

b) Current period compared with the corresponding period of the preceding year (six-months)

For the financial period ended 30 June 2018, the Group recorded RM2,480.5 million in revenue, a 32.7% increase from RM1,869.7 million reported in the corresponding period of the preceding year due to work progress from KVMRT-SSP Line, higher volume handled at PTP and consolidation of PPSB's revenue. These were offset with lower contribution from RAPID MOLF operations at JPB and lower container volume handled at NMB.

The Group's Profit before zakat and taxation decreased to RM104.3 million compared with RM194.9 million reported in the corresponding period of the preceding year, mainly due to the following:

- i. Lower contribution from JPB and NMB as explained above; and
- ii. Lower share of profit from Malakoff attributed to lower contribution from Segari Energy Venture's ("SEV") plant, lower fuel margin recorded at coal plants and lower contribution from associates.

These were compensated by higher contribution from KVMRT-SSP Line and PTP as well as effect from full consolidation of PPSB's result following completion of acquisition of remaining 51% equity interest on 1 May 2018.

Ports & Logistics

The segment recorded revenue of RM1,394.5 million, a decrease of 1.6% compared with RM1,417.4 million reported in the corresponding period of the preceding year, due to:

- i. lower contribution from RAPID MOLF operations at JPB as the project is near completion; and
- ii. lower container volume handled at NMB due to shifting of global shipping alliances.

These were compensated by higher volume handled at PTP and effect from full consolidation of PPSB's revenue.

The segment recorded decrease in Profit before zakat and taxation by RM105.3 million to RM136.6 million compared with RM241.9 million reported in the corresponding period of the preceding year due to lower contribution from JPB and NMB. These were cushioned by higher contribution from PTP and full consolidation of PPSB's result.

Energy & Utilities

The segment recorded a decrease in Profit before zakat and taxation of RM63.5 million compared with RM97.7 million reported in the corresponding period of the preceding year due to lower share of profit from Malakoff. This is mainly attributable to lower contribution from SEV's plant, lower fuel margin recorded at coal plants and lower contribution from associates.

Engineering

The segment recorded revenue of RM1,043.3 million, an increase of 152.3% compared with RM413.5 million reported in the corresponding period of the preceding year. The increment was mainly due to progress from KVMRT-SSP Line and Langat Sewerage Treatment project.

The segment recorded an increase of 79.7% in Profit before zakat and taxation to RM152.2 million from RM84.7 million

reported in the corresponding period of the preceding year mainly due to progress from KVMRT-SSP Line.

Investment Holding, Corporate & Others

The segment recorded revenue of RM43.2 million, an increase of 11.6% compared with RM38.7 million reported in the corresponding period of the preceding year due to increase in passenger volume at Senai Airport.

The segment recorded higher Loss before zakat and taxation by RM19.0 million to RM248.9 million compared with RM229.9 million reported in the corresponding period of the preceding year mainly due to higher finance costs incurred.

17. Variation of results against immediate preceding quarter

The Group recorded lower Profit before zakat and taxation of RM40.1 million in the current quarter compared with RM64.3 million in the immediate preceding quarter attributed to absence of remeasurement gain of investment in Zelan Berhad upon reclassification to investment securities.

18. Current prospects

Ports & Logistics division is estimated to record stable volume across all the ports. Further, the recent completion of acquisition of the balance 51% interest in Penang Port Sdn Bhd in May 2018 is expected to contribute positively to the division's earnings. The acquisition allows the Group to establish a strong foothold in the Northern region of Peninsular Malaysia and complement the Group's strategic presence throughout the Straits of Malacca.

Operational and cost synergies driven by MMC, would further improve the performance of its Ports & Logistics division.

The Energy & Utilities division is expected to contribute positively from the Group's associated companies, namely Malakoff and Gas Malaysia.

Substantial existing order-book provides earnings visibility for the Engineering division anchored by the KVMRT-SSP Line underground work and Project Delivery Partner (PDP) role for elevated portion. Furthermore, the earnings contribution from Engineering division will be sustained by on-going projects namely Langat 2 Water Treatment Plant, Langat Centralized Sewerage Treatment Project and our involvement in the PDP role for Pan Borneo Sabah Highway.

19. Profit before zakat and taxation

Profit before zakat and taxation is stated after (crediting)/charging the following items:

	3 months ended <u>30.06.18</u> RM mil	3 months ended <u>30.06.17</u> RM mil	Cumulative 6 months ended <u>30.06.18</u> RM mil	Cumulative 6 months ended <u>30.06.17</u> RM mil
Interest income	(2.7)	(1.3)	(10.0)	(7.1)
Depreciation	130.9	112.1	240.2	216.2
Amortisation	3.1	7.8	9.3	15.6
Loss on disposal of property, plant and equipment	-	3.1	-	2.9
Remeasurement gain of interest in an associate	-	-	(15.2)	-

20. Profit forecast or profit guarantee

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

21. Tax expense

	3 months ended 30.06.18	3 months ended 30.06.17	Cumulative 6 months ended 30.06.18	Cumulative 6 months ended 30.06.17
	RM mil	RM mil	RM mil	RM mil
Current tax expense				
- current	(1)	(16)	5	(41)
- prior years	-	-	(2)	-
Deferred tax expense				
- current	(10)	(14)	(22)	(16)
	<u>(11)</u>	<u>(30)</u>	<u>(19)</u>	<u>(57)</u>

The Group's effective tax rate for the quarter ended 30 June 2018 was lower than the statutory income tax rate principally due to utilisation of tax incentives.

22. Status of corporate proposals announced

There is no corporate proposal announced and/or pending completion as at the date of this announcement.

23. Investment securities

Fair value of financial instruments

Fair values recognised in the statement of financial position are measured using the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted price included with level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derives from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, observable inputs).

Investment securities comprise of quoted shares and are measured at fair value through other comprehensive income. A reconciliation from opening balances to fair value measurement on level 1 of the fair value hierarchy is as follows:

	30.06.18	31.12.17
	RM mil	RM mil
At 1 January	3.1	81.0
Reclassification	33.1	-
Disposal	-	(86.5)
Net (loss)/ gain transferred to equity	(6.3)	8.6
At 30.06.18/31.12.17	<u>29.9</u>	<u>3.1</u>
Less: Non-current portion	(3.4)	(3.1)
Current portion	<u>26.5</u>	<u>-</u>

24. Borrowings

	30.06.18	31.12.17
	RM mil	RM mil
Current		
- secured	775	620
- unsecured	877	730
	<u>1,652</u>	<u>1,350</u>
Non-current		
- secured	3,428	4,781
- unsecured	4,991	2,694
	<u>8,419</u>	<u>7,475</u>
Total borrowings	<u>10,071</u>	<u>8,825</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

25. Changes in material litigationa) Accolade Land Litigation

A jointly controlled entity of MMC, MMC Gamuda KVMRT (PDP) Sdn Bhd ("KVMRT PDP") was served with a Writ and Statement of Claim by Accolade Land Sdn Bhd ("Accolade") on 24 June 2016.

The suit is premised on an alleged breach of a contract between Accolade and Mass Rapid Transit Corporation Sdn Bhd ("MRT Corp") relating to the acquisition of land belonging to Accolade by MRT Corp for the Klang Valley Mass Rapid Transit project in which KVMRT PDP was the Project Delivery Partner.

Accolade is claiming, jointly and severally against the four defendants in the suit, damages in the sum of RM303,534,216.00 with interest and costs.

On 5 August 2016, KVMRT PDP filed an application to strike out Accolade's Writ and Statement of Claim. The other Defendants in the suit also filed their respective striking out applications.

On 15 September 2016, KVMRT PDP filed a separate application to strike out parts of Accolade's Amended Reply to KVMRT PDP's Defence ("2nd striking out application").

The striking out applications by KVMRT PDP were heard on 5 October 2016, 23 November 2016 and 28 February 2017.

On 20 April 2017, the High Court ordered that Accolade's Writ and Statement of Claim be struck out with costs.

Accolade filed its Notice of Appeal on 16 May 2017 to appeal to the Court of Appeal against the High Court's decision.

The Court of Appeal fixed the hearing date for Accolade's appeal on 24 October 2018.

b) Oil Spill Claim

Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP"), a 70% owned subsidiary of MMC Corporation Berhad, has filed an in rem action against the shipowner, Rising Star Shipping Sdn Bhd ("RSS"), and an in personam action against RSS and the insurer, The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) Singapore Branch ("the Club"), respectively on 18 July 2017 at the Kuala Lumpur High Court in relation to the oil spill at PTP's premises causing damages.

The action stems from an oil spill incident of the vessel on 24 August 2016 where there was an overflow of oil from one of the vessel's tanks in the course of loading a cargo of 2,500 metric tons of marine fuel oil which subsequently spread into PTP's premises ("Oil Spill"). As a result, PTP suffered various substantial losses.

PTP claims a sum of RM31,862,212.00 against RSS and the Club.

RSS had earlier obtained an order of the Kuala Lumpur High Court to limit its liability in the Oil Spill to approximately RM25.9 million ("Limitation Amount"), as provided for under the Merchant Shipping (Liability and Compensation for Oil Pollution) Act 1994 ("Limitation Action").

The Club has lodged security for the Limitation Amount with the Kuala Lumpur High Court.

Subsequently, the International Oil Pollution Compensation Fund 1992 was joined in the Limitation Action, to take up further claims by parties affected by the Oil Spill beyond the value of the Limitation Amount.

On 3 January 2018, the Kuala Lumpur High Court consolidated PTP's in personam action with the Limitation Action.

Parties to the Limitation Action are currently preparing their documents for trial.

c) Claim against Hood bin Osman

Kontena Nasional Berhad ("KNB"), a 99.1% indirect subsidiary of MMC, had served a Writ of Summons and a Statement of Claim on Hood bin Osman, the former Chief Executive Officer of KNB, on 15 May 2018.

KNB's claim against Hood bin Osman is premised primarily on breach of employment contract, fraud and various breaches of duty of care under common law and the Companies Act 2016.

KNB is claiming, among others, damages in the sum of RM66,590,105.43, general damages, full indemnity against any claims arising from the transactions, interest and costs.

On 25 May 2018, Hood bin Osman entered his appearance to defend himself against KNB's claims.

At the case management on 12 July 2018, the Court fixed the matter for trial on 18 and 19 October 2018.

Save as disclosed above, there has been no significant change in material litigation, including the status of pending material litigation in respect of the Company and its subsidiaries during the current quarter under review.

26. Dividend Payable

No interim dividend has been recommended by the Directors for the current quarter ended 30 June 2018 (30 June 2017: Nil).

27. Earnings per ordinary share

Basic Earnings Per Ordinary Share

	3 months ended <u>30.06.18</u>	3 months ended <u>30.06.17</u>	Cumulative 6 months ended <u>30.06.18</u>	Cumulative 6 months ended <u>30.06.17</u>
Profit for the financial year attributable to owners of the Parent (RM mil)	20.1	59.8	61.4	115.9
Weighted average number of ordinary shares in issue ('mil)	3,045.1	3,045.1	3,045.1	3,045.1
Basic earnings per ordinary share (sen)	0.7	2.0	2.0	3.8

28. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the Directors as of 24 August 2018.

By Order of the Board

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

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

Secretaries

Kuala Lumpur

24 August 2018