

Condensed Consolidated Statement of Comprehensive Income
Quarterly report on unaudited consolidated results
for the period ended 30 June 2014

| | 3 months ended 30.06.14 RM'000 (Unaudited) | 3 months ended 30.06.13 RM'000 (Restated) | Cumulative 6 months ended 30.06.14 RM'000 (Unaudited) | Cumulative 6 months ended 30.06.13 RM'000 (Restated) |
|---|---|--|--|---|
| Revenue | 2,866,746 | 1,901,470 | 4,727,000 | 3,641,666 |
| Cost of sales | (2,179,104) | (1,392,035) | (3,443,593) | (2,584,905) |
| Gross profit | 687,642 | 509,435 | 1,283,407 | 1,056,761 |
| Other operating income | | | | |
| - items relating to investments | 61,727 | - | 63,863 | - |
| - other operating income | 58,438 | 55,029 | 116,562 | 122,526 |
| Administrative expenses | (202,021) | (188,910) | (391,261) | (370,045) |
| Other operating expenses | (93,340) | (126,654) | (207,488) | (208,400) |
| Finance costs | (308,206) | (279,141) | (612,888) | (527,164) |
| Share of results of: | | | | |
| - associates | 21,405 | 56,872 | 49,433 | 75,089 |
| - joint ventures | 34,265 | 15,523 | 44,313 | 22,768 |
| Profit before zakat and taxation | 259,910 | 42,154 | 345,941 | 171,535 |
| Tax expense | 18,048 | 35,164 | (15,637) | (8,809) |
| Profit for the financial period | 277,958 | 77,318 | 330,304 | 162,726 |
| Other comprehensive income/(loss) | | | | |
| Available-for-sale financial assets | | | | |
| - fair value gains/(losses) | 2,038 | 2,428 | (3,364) | 12,080 |
| - disposal | - | - | 201 | - |
| Movement in associates' capital reserves | - | 428 | - | 364 |
| Fair value adjustment-cash flow hedge | (22,595) | 73,264 | (73,969) | 57,573 |
| Currency translation differences | 8,656 | 11,954 | 22,570 | 17,526 |
| Asset revaluation | 2,558 | - | 2,558 | - |
| Other comprehensive income/(loss) for the financial period | (9,343) | 88,074 | (52,004) | 87,543 |
| Total comprehensive income for the financial period | 268,615 | 165,392 | 278,300 | 250,269 |
| Profit attributable to: | | | | |
| Owners of the Parent | 165,451 | 43,861 | 189,026 | 52,683 |
| Non-controlling interests | 112,507 | 33,457 | 141,278 | 110,043 |
| | 277,958 | 77,318 | 330,304 | 162,726 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Parent | 156,108 | 131,935 | 137,022 | 140,226 |
| Non-controlling interests | 112,507 | 33,457 | 141,278 | 110,043 |
| | 268,615 | 165,392 | 278,300 | 250,269 |
| Earnings per share attributable to owners of the Parent | | | | |
| Basic (sen) | 5.4 | 1.4 | 6.2 | 1.7 |
| Diluted (sen) | 5.4 | 1.4 | 6.2 | 1.7 |

Condensed Consolidated Statement of Financial Position

| | As at 30.06.14 RM' 000 (Unaudited) | As at 31.12.13 RM' 000 (Audited) |
|---|---|---|
| Non-Current Assets | | |
| Property, plant and equipment | 20,474,764 | 19,144,848 |
| Finance lease receivables | 2,088,435 | 2,012,945 |
| Investment properties | 28,872 | 29,923 |
| Investments in associates | 2,601,110 | 2,684,793 |
| Investments in joint arrangements | 282,700 | 271,809 |
| Available-for-sale financial assets | 4,572 | 6,936 |
| Property development expenditure | 2,086,523 | 2,285,648 |
| Trade and other receivables | 133,405 | 144,165 |
| Derivative financial instruments | 47,701 | 80,241 |
| Intangible assets | 7,150,344 | 7,278,077 |
| Deferred tax assets | 1,549,133 | 1,408,310 |
| | <u>36,447,559</u> | <u>35,347,695</u> |
| Current Assets | | |
| Inventories | 489,397 | 493,734 |
| Trade and other receivables | 3,681,168 | 2,596,389 |
| Assets held for sale | - | 131 |
| Derivative financial instruments | 23 | 3,284 |
| Tax recoverable | 297,109 | 335,127 |
| Available-for-sale financial assets | 87,021 | 88,576 |
| Deposits, bank and cash balances | 4,308,894 | 4,330,902 |
| | <u>8,863,612</u> | <u>7,848,143</u> |
| Total Assets | <u>45,311,171</u> | <u>43,195,838</u> |
| Equity and Liabilities | | |
| Equity attributable to owners of the Parent | | |
| Share capital | 304,506 | 304,506 |
| Reserves | 6,957,207 | 6,911,537 |
| | <u>7,261,713</u> | <u>7,216,043</u> |
| Non-controlling interests | 3,059,809 | 2,998,046 |
| Total equity | <u>10,321,522</u> | <u>10,214,089</u> |
| Non-Current Liabilities | | |
| Redeemable preference shares | 110,608 | 131,508 |
| Borrowings | 23,762,419 | 21,756,979 |
| Land lease received in advance | 277,887 | 281,909 |
| Provision for retirement benefits | 80,052 | 78,679 |
| Deferred income | 2,900,033 | 2,783,247 |
| Derivative financial instruments | 94,648 | 31,762 |
| Deferred tax liabilities | 3,280,656 | 3,289,561 |
| Trade and other payables | 46,336 | 93,010 |
| | <u>30,552,639</u> | <u>28,446,655</u> |
| Current Liabilities | | |
| Borrowings | 1,783,727 | 2,221,426 |
| Trade and other payables | 2,451,269 | 2,185,830 |
| Tax payables | 77,087 | 8,286 |
| Deferred income | 91,406 | 85,121 |
| Derivative financial instruments | 33,521 | 34,431 |
| | <u>4,437,010</u> | <u>4,535,094</u> |
| Total Liabilities | <u>34,989,649</u> | <u>32,981,749</u> |
| Total equity and liabilities | <u>45,311,171</u> | <u>43,195,838</u> |
| Net assets per share attributable to owners of the Parent (sen) | 238 | 237 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

Condensed Consolidated Statement of Changes in Equity for the period ended 30 June 2014

| | Attributable to owners of the parent Non-distributable | | | | | | Distributable | | | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|---|---|----------------------------|--|----------------------------------|--|--|-------------------------------|--------------------------------|--------------------------------|------------------|--|---------------------------|
| | Share capital RM'000 | Share premium RM'000 | Currency translation reserve RM'000 | Revaluation reserve RM'000 | Available- for- sale financial assets RM'000 | Cash flow hedge reserves RM'000 | Capital reserves RM'000 | Capital* reserves RM'000 | Retained earnings RM'000 | | | |
| At 1 January 2014 | 304,506 | 2,039,770 | (26,902) | 1,219,271 | 83,338 | 176,150 | 9,163 | 379,103 | 3,031,644 | 7,216,043 | 2,998,046 | 10,214,089 |
| Net profit for the financial period | - | - | - | - | - | - | - | - | 189,026 | 189,026 | 141,278 | 330,304 |
| Other comprehensive income/ (loss) | - | - | 22,570 | 2,558 | (3,163) | (73,969) | - | - | - | (52,004) | - | (52,004) |
| Total other comprehensive income/(loss) for the financial period | - | - | 22,570 | 2,558 | (3,163) | (73,969) | - | - | 189,026 | 137,022 | 141,278 | 278,300 |
| Transfer to capital reserves | - | - | - | - | - | - | - | 1,150 | (1,150) | - | - | - |
| Interim dividend in respect of financial year ending 31 December 2014 | - | - | - | - | - | - | - | - | - | - | (79,515) | (79,515) |
| Final dividend in respect of financial year ended 31 December 2013 | - | - | - | - | - | - | - | - | (91,352) | (91,352) | - | (91,352) |
| At 30 June 2014 | 304,506 | 2,039,770 | (4,332) | 1,221,829 | 80,175 | 102,181 | 9,163 | 380,253 | 3,128,168 | 7,261,713 | 3,059,809 | 10,321,522 |

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

Condensed Consolidated Statement of Changes in Equity for the period ended 30 June 2013

| | Attributable to owners of the Parent | | | | | | Distributable | | | | | |
|---|--------------------------------------|------------------|------------------------------|---------------------|---------------------------|--------------------------|------------------|-------------------|-------------------|------------------|---------------------------|------------------|
| | Non-distributable | | | Available- | | | | | | | | |
| | Share capital | Share premium | Currency translation reserve | Revaluation reserve | for-sale financial assets | Cash flow hedge reserves | Capital reserves | Capital* reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2013 | 304,506 | 2,039,770 | (30,069) | 1,219,271 | 102,329 | (5,107) | 79,443 | 376,803 | 2,940,229 | 7,027,175 | 3,187,338 | 10,214,513 |
| Net profit for the financial period | - | - | - | - | - | - | - | - | 52,683 | 52,683 | 110,043 | 162,726 |
| Other comprehensive income/(loss) | - | - | 17,526 | - | 12,080 | 57,573 | 364 | - | - | 87,543 | - | 87,543 |
| Total other comprehensive income/(loss) for the financial period | - | - | 17,526 | - | 12,080 | 57,573 | 364 | - | 52,683 | 140,226 | 110,043 | 250,269 |
| Transfer to capital reserves | - | - | - | - | - | - | - | 575 | (575) | - | - | - |
| Increase in equity interest in an existing subsidiary | - | - | - | - | - | - | (72,042) | - | - | (72,042) | (109,079) | (181,121) |
| Interim dividend in respect of financial year ended 31 December 2013 | - | - | - | - | - | - | - | - | - | - | (243,797) | (243,797) |
| Final dividend in respect of financial year ended 31 December 2012 | - | - | - | - | - | - | - | - | (137,028) | (137,028) | - | (137,028) |
| At 30 June 2013 | 304,506 | 2,039,770 | (12,543) | 1,219,271 | 114,409 | 52,466 | 7,765 | 377,378 | 2,855,309 | 6,958,331 | 2,944,505 | 9,902,836 |

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

Condensed Consolidated Statement of Cash Flows

| | 6 months ended 30.06.14 RM'000 (Unaudited) | 6 months ended 30.06.13 RM'000 (Restated) |
|--|---|--|
| Cash flows from operating activities | | |
| Profit before zakat and taxation | 345,941 | 171,535 |
| Adjustments for: | | |
| Non-cash items | 677,494 | 674,906 |
| Interest expense | 612,888 | 527,164 |
| Interest income | (91,289) | (93,137) |
| Dividend income | (558) | (651) |
| Share of results in associates and joint ventures | (93,746) | (97,857) |
| Operating profit before working capital changes | 1,450,730 | 1,181,960 |
| Changes in working capital: | | |
| Net change in current assets | (873,349) | (409,946) |
| Net change in current liabilities | 313,912 | 153,199 |
| Cash generated from operations | 891,293 | 925,213 |
| Deferred income received | 136,682 | 163,585 |
| Tax paid | (109,750) | (122,398) |
| Land lease received in advance | (2,768) | 1,244 |
| Retirement benefits paid | (193) | 33 |
| Staff loan repaid | 37 | - |
| Net cash generated from operating activities | 915,301 | 967,677 |
| Cash flows from investing activities | | |
| Net cash outflow from additional investment in an associate | (16,579) | - |
| Net cash outflow from acquisition of subsidiaries | (153,541) | (392,700) |
| Investment in joint venture | (340) | - |
| Purchase of property, plant and equipment | (1,674,947) | (1,555,213) |
| Proceeds from sale of property, plant and equipment | 680 | 5 |
| Additional property development expenditure | (52,147) | (68,260) |
| Interest received | 91,289 | 93,137 |
| Dividend received from: | | |
| - Associates | 41,889 | 58,863 |
| - Joint Ventures | 34,000 | - |
| - Others | 558 | 651 |
| Proceeds from selective capital return of an unquoted associate | - | 47,530 |
| Net cash used in investing activities | (1,729,138) | (1,815,987) |
| Cash flows from financing activities | | |
| Drawdown of term loans | 2,979,114 | 7,988,037 |
| Repayment of term loans | (1,430,110) | (7,322,969) |
| Purchase of additional shares in a subsidiary from non-controlling interests | - | (181,121) |
| Dividend paid | (91,352) | (137,028) |
| Dividend paid to non-controlling interests of subsidiaries | (79,515) | (243,797) |
| Interest paid | (612,888) | (527,164) |
| Net cash generated from / (used in) financing activities | 765,249 | (424,042) |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

Condensed Consolidated Statement of Cash Flows

| | 6 months ended 30.06.14 RM'000 (Unaudited) | 6 months ended 30.06.13 RM'000 (Restated) |
|---|---|--|
| Net change in cash and cash equivalents | (48,588) | (1,272,352) |
| Foreign exchange differences | 22,570 | 75,099 |
| Cash and cash equivalents at beginning of the financial period | <u>4,328,561</u> | <u>6,182,842</u> |
| Cash and cash equivalents at end of the financial period | <u>4,302,543</u> | <u>4,985,589</u> |
| Cash and cash equivalents comprise: | | |
| Deposits and bank balances | 4,308,894 | 4,986,772 |
| Bank overdrafts | <u>(6,351)</u> | <u>(1,183)</u> |
| | <u>4,302,543</u> | <u>4,985,589</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013.

Notes to the interim financial statements

1. Basis of preparation

The interim financial report is unaudited and has 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 report should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2013.

The audited financial statements of the Group for the financial year ended 31 December 2013 were prepared in accordance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The significant accounting policies and methods adopted in this interim financial report are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 31 December 2013.

The Group adopted the following MFRSs and Amendments to MFRSs effective for annual period beginning on or after 1 January 2014 as follows:

- Amendments to MFRS 10, Consolidated Financial Statements
- Amendments to MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 127, Consolidated and Separate Financial Statements
- Amendments to MFRS 132, Financial Instruments: Presentation
- IC Interpretation 21, Levies

The adoption of the above did not have any material impact on the financial statements of the Group in the period of application.

2. Audit qualification

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

3. Seasonal or cyclical factors

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

4. 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.

5. Changes in estimates

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

6. Debt and equity securities

There was no material issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 30 June 2014.

7. Dividend paid

A final single-tier dividend in respect of the financial year ended 31 December 2013, of 3.0 sen per ordinary share of RM0.10 each on 3,045,058,552 ordinary shares amounting to RM91,351,757 was paid on 27 June 2014.

8. Segment Reporting

The Group's segmental reporting for the current financial period ended 30 June 2014 is as follows:

| | Ports & Logistics | Energy & Utilities | | | Engineering & Construction | Investment Holding, Corporate & Others | Total |
|---|----------------------|--------------------|------------------|---------------------|----------------------------------|--|--------|
| | RM mil | Gas RM mil | Energy RM mil | Utilities RM mil | RM mil | RM mil | RM mil |
| | Revenue | | | | | | |
| Total | 805 | - | 2,704 | 49 | 991 | 256 | 4,805 |
| Inter-segment | (3) | - | - | - | (75) | - | (78) |
| External | 802 | - | 2,704 | 49 | 916 | 256 | 4,727 |
| Results | | | | | | | |
| Profit / (loss) before zakat and taxation | 121 | 37 | 219 | (2) | 165 | (194) | 346 |
| Finance costs | 57 | - | 457 | - | (1) | 100 | 613 |
| Depreciation and amortisation | 121 | - | 497 | 3 | 3 | 15 | 639 |
| Earnings Before Interest, Tax, Depreciation and Amortisation | 299 | 37 | 1,173 | 1 | 167 | (79) | 1,598 |

The Group's segmental reporting for the corresponding financial period ended 30 June 2013 (Restated) is as follows:

| | Ports & Logistics | Energy & Utilities | | | Engineering & Construction | Investment Holding, Corporate & Others | Total |
|---|----------------------|--------------------|------------------|---------------------|----------------------------------|--|--------|
| | RM mil | Gas RM mil | Energy RM mil | Utilities RM mil | RM mil | RM mil | RM mil |
| | <u>Revenue</u> | | | | | | |
| Total | 764 | - | 2,347 | 53 | 524 | 23 | 3,711 |
| Inter-segment | (7) | - | - | - | (62) | - | (69) |
| External | 757 | - | 2,347 | 53 | 462 | 23 | 3,642 |
| <u>Results</u> | | | | | | | |
| Profit / (loss) before zakat and taxation | 148 | 35 | 90 | 10 | 31 | (142) | 172 |
| Finance costs | 52 | - | 369 | - | 1 | 105 | 527 |
| Depreciation and amortisation | 116 | - | 441 | 4 | 3 | 15 | 579 |
| Earnings Before Interest, Tax, Depreciation and Amortisation | 316 | 35 | 900 | 14 | 35 | (22) | 1,278 |

9. Property, plant and equipment

There was no valuation of property, plant and equipment during the current quarter ended 30 June 2014 except for the amounts carried forward of certain Group's properties that had been revalued in the past. These revalued properties were carried forward without any subsequent revaluation as allowed under MFRS 116.

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

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

11. Changes in composition of the Group

There was no change in the composition of the Group for the financial period ended 30 June 2014 except for the following:

- (a) On 8 April 2014, Salcon MMCB AZSB JV Sdn Bhd ("the JV") was incorporated to undertake the development of Langat 2 Water Treatment Plant and Water Reticulation System-Phase 1 in Selangor. The JV is a jointly controlled entity of Salcon Engineering Berhad (36%), a wholly-owned subsidiary of Salcon Berhad, MMC Corporation Berhad (34%) and Ahmad Zaki Sdn Bhd (30%), a wholly-owned subsidiary of Ahmad Zaki Resources Berhad.
- (b) On 30 April 2014, Malakoff Corporation Berhad ("Malakoff"), a 51%-owned subsidiary of the Company, via its wholly-owned subsidiaries, Hypergantic Sdn Bhd ("Hypergantic") and Malakoff Power Berhad ("MPower") had completed the following acquisitions from Sime Darby Energy Sdn Bhd for a total cash consideration of RM300 million:
 - (i) 75% equity interest in Port Dickson Power Berhad ("PDP"), comprising 112,500 ordinary shares of

RM1.00 each and 112,500 redeemable preference shares of RM1.00 each by Hypergantic; and

- (ii) 100% equity interest in Sime Darby Biofuels Sdn Bhd ("SDB") comprising 2 ordinary shares of RM1.00 each by MPower.

With the acquisitions, PDP and SDB have become wholly-owned subsidiaries of Malakoff.

The details of the acquisition are as follows:

| | RM mil |
|---|---------------------|
| Assets and liabilities acquired: | |
| Property, plant and equipment | 211.5 |
| Cash and cash equivalents | 146.5 |
| Current assets | 57.7 |
| Current liabilities | (55.6) |
| Long term liabilities | (7.8) |
| Net assets and liabilities | <u>352.3</u> |
| Carrying amount of existing interest in PDP | (68.7) |
| Fair valuation gain on the existing interest | <u>(27.6)</u> |
| Net assets and liabilities acquired | 256.0 |
| Intangible assets | 100.7 |
| Deferred tax liabilities on fair value of PPA | (25.2) |
| Purchase consideration | <u>(300.0)</u> |
| Bargain purchase gain | <u><u>31.5</u></u> |
| Net cash outflow arising from the acquisition: | |
| Purchase consideration | 300.0 |
| less : Cash and cash equivalents acquired | <u>(146.5)</u> |
| Cash outflow on acquisitions, net of cash and cash equivalents acquired | <u><u>153.5</u></u> |

As of the date of this report, management has yet to finalise the Purchase Price Allocation ("PPA") for the business combination, as required by MFRS 3. The intangible assets and the excess of Group's interest in the fair value of identifiable net assets acquired over the cost of business arising from the business combination has been derived only on a provisional basis. Management has 12 months from the date of completion of the acquisition to complete the PPA and the initial accounting for the transaction. Upon finalisation of the PPA, MMC will recognise any adjustments to the provisional values of the intangible assets and excess of Group's interest in the fair value of identifiable net assets acquired over the cost of business arising from the business combination.

12. 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 2013 except for the following bank guarantees issued to third parties:

| | 30.06.14 | 31.12.13 |
|--------------|----------|----------|
| | RM mil | RM mil |
| Subsidiaries | 440.8 | 427.0 |

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

13. Capital commitments

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

| | 30.06.14 | 31.12.13 |
|-----------------------------------|----------------|----------------|
| | RM mil | RM mil |
| Property, plant and equipment: | | |
| Authorised and contracted for | 1,828.9 | 2,820.2 |
| Authorised but not contracted for | 357.6 | 345.9 |
| | <u>2,186.5</u> | <u>3,166.1</u> |

14. Related party transactions

| | 30.06.14 | 30.06.13 |
|--|-------------|-------------|
| | RM mil | RM mil |
| Associated company | | |
| - Interest income on unsecured subordinated loan notes | 32.4 | 31.4 |
| | <u>32.4</u> | <u>31.4</u> |

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established within normal commercial terms.

Additional information required by the Bursa Securities Listing Requirements

15. Review of performance

For the 6-month financial period ended 30 June 2014, the Group recorded revenue of RM4,727.0 million, an increase of 29.8% as compared with RM3,641.7 million reported in the corresponding period of the preceding year. The increase was mainly attributable to higher work progress performed from Klang Valley Mass Rapid (KVMRT) Sungai Buloh-Kajang Line, higher contribution from Malakoff in the Energy & Utilities segment and completion of sale of land by a wholly-owned subsidiary as part of Senai Airport City development plan.

Correspondingly, the Group recorded Profit before zakat and taxation of RM345.9 million, an increase by 101.7% as compared with RM171.5 million in the corresponding period of the preceding year, primarily due to the following:

- (i) Higher contribution from Malakoff following Tanjung Bin power plant recovery progress since the beginning of 2nd quarter 2014 as well as fair value gains arising from the acquisition of the remaining 75% shareholding in PDP.
- (ii) Higher contribution from KVMRT project as the project enters its third year of construction and progresses as scheduled.

Energy & Utilities

The segment revenue for the current financial period increased by 14.8% to RM2,753.3 million from RM2,399.4 million in the corresponding period of preceding year, mainly due to higher dispatch factor from Malakoff's Tanjung Bin power plant following plant recovery progress as well as contributions from PDP and

Malakoff Wind Macarthur ("MWM"), acquired in April 2014 and June 2013, respectively.

Correspondingly, the segment Profit before zakat and taxation increased significantly by 88.3% to RM254.0 million from RM134.9 million in the corresponding period of preceding year. The increase was largely in line with Malakoff's Tanjung Bin power plant positive recovery progress and fair value gains arising from the acquisition of the remaining 75% shareholding in PDP. However, these have been partially offset by higher losses recorded from Kapar Power Station through Malakoff's 40% equity interest in Kapar Energy Ventures Sdn Bhd ("KEV") caused by transformer failures.

Ports & Logistics

The segment revenue increased by 5.9% to RM801.9 million from RM757.1 million in the corresponding period of preceding year, mainly due to higher throughput registered coupled with additional rates incentives achieved from improved productivity at Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP").

Despite the increase in revenue, the segment recorded lower Profit before zakat and taxation of RM120.6 million as compared with RM147.5 million in the corresponding period of preceding year, mainly due to higher cost of repairs and maintenance incurred at both ports.

Engineering & Construction

The segment revenue increased substantially by 98.2% to RM916.1 million from RM462.3 million in the corresponding period of preceding year, primarily due to higher work progress performed from KVMRT project, however offset by lower work progress performed from Electrified Double Track Project as project is nearing completion.

Correspondingly, the segment recorded Profit before zakat and taxation of RM165.3 million as compared with RM30.6 million in the corresponding period of the preceding year, mainly due to higher contribution from KVMRT project, positive contribution from Zelan Bhd largely from sale of IJM shares and improved profit margin from Electrified Double Track Project as project is nearing completion.

Investment Holding, Corporate & Others

The segment revenue increased from RM22.9 million in the corresponding period of preceding year to RM255.7 million in the current financial period, resulting from the completion of sale of land, in line with the overall development of Senai Airport City plan.

Higher Loss before zakat and taxation of RM194.0 million recorded as compared with RM141.5 million in the corresponding period of preceding year, mainly due to effect of MFRS139 on proceeds from sale of land and other operating costs.

16. Variation of results against immediate preceding quarter

The Group recorded Profit before zakat and taxation of RM259.9 million in the current quarter as compared with RM86.0 million in the immediate preceding quarter, mainly attributed to the following:

- (i) positive recovery progress from Malakoff's Tanjung Bin power plant since the beginning of 2nd Quarter 2014 resulting in lower provision for penalty charges and lower maintenance costs recorded as well as fair value gains arising from the acquisition of the remaining 75% shareholding in PDP;
- (ii) higher contribution from KVMRT project as project enters its third year of construction;

- (iii) improved profit margin from Electrified Double Track Project as project is nearing completion.

17. Current prospects

The Group is optimistic that the Energy and Utilities segment will continue to perform in the second half of 2014 in view of the expected full recovery of Malakoff's Tanjung Bin power plant. Malakoff is the largest contributor to the Group's revenue.

The Ports & Logistics segment is well poised to benefit from Pelabuhan Tanjung Pelepas ("PTP") port expansion particularly with the completion of berths 13 and 14 in Quarter 2, 2014. The newly completed berths will further increase PTP's capacity by 25% to 10.5 million TEUs. This development enhances PTP's competitiveness and its position as a major port in the region.

Engineering & Construction segment continues to contribute satisfactorily, leveraging on the KVMRT project, which is progressing as scheduled.

The Group's performance is expected to contribute positively to the earnings and net assets of MMC Group in the future.

18. Profit before zakat and taxation

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

| | 3 months ended 30.06.14 | 3 months ended 30.06.13 | Cumulative 6 months ended 30.06.14 | Cumulative 6 months ended 30.06.13 |
|--|-------------------------------|-------------------------------|---|---|
| | RM mil | RM mil | RM mil | RM mil |
| Interest income | (45.5) | (44.9) | (91.3) | (93.1) |
| Fair valuation gains relating to investments | (59.1) | - | (59.1) | - |
| Depreciation | 210.6 | 182.3 | 410.8 | 360.8 |
| Amortisation | 119.1 | 108.9 | 228.5 | 217.8 |
| Impairment of receivables | 3.8 | 67.3 | 31.9 | 81.3 |

| | | | | |
|---|------|-----|-------|-------|
| Write-back of impairment of receivables | - | 9.8 | - | 3.8 |
| Net unrealised foreign exchange loss/(gain) | 2.6 | 2.9 | 2.5 | (3.4) |
| (Gain)/loss on disposal of: | | | | |
| - property, plant and equipment | 1.2 | - | (1.6) | - |
| - non-current asset | 20.7 | - | 21.3 | - |

19. Profit forecast or profit guarantee

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

20. Tax expense

| | 3 months ended 30.06.14 RM mil | 3 months ended 30.06.13 RM mil | Cumulative 6 months ended 30.06.14 RM mil | Cumulative 6 months ended 30.06.13 RM mil |
|----------------------|--------------------------------------|--------------------------------------|--|--|
| Current tax expense | | | | |
| - current | (103) | (1) | (181) | (66) |
| - prior year | - | - | 2 | - |
| Deferred tax expense | | | | |
| - current | 121 | 36 | 186 | 57 |
| - prior year | - | - | (23) | - |
| | <u>18</u> | <u>35</u> | <u>(16)</u> | <u>(9)</u> |

The Group's effective tax rate for the current quarter was lower than the statutory income tax rate principally due to recognition of deferred tax income from investment tax allowance following commissioning of among others heavy machineries, construction of new berth and container yards, offset by expenses which are not deductible for tax purposes and effects of temporary differences arising from change in future tax rate.

21. Status of corporate proposals announced

There was no corporate proposal announced but not completed as at the date of this announcement.

22. Available for sale financial assets

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).

A reconciliation from opening balances to fair value measurement on level 1 of the fair value hierarchy is as follows:

| | <u>30.06.14</u> | <u>31.12.13</u> |
|----------------------------------|-----------------|-----------------|
| | RM mil | RM mil |
| At 1 January | 95.5 | 96.3 |
| Net losses transferred to equity | (3.4) | (0.8) |
| Disposals | (0.5) | - |
| At 30.06.14/31.12.13 | <u>91.6</u> | <u>95.5</u> |
| Less: Non-current portion | (4.6) | (6.9) |
| Current portion | <u>87.0</u> | <u>88.6</u> |

23. Borrowings

| | <u>30.06.14</u> | <u>31.12.13</u> |
|------------------|-----------------|-----------------|
| | RM mil | RM mil |
| Current | | |
| - secured | 1,203 | 1,473 |
| - unsecured | 581 | 748 |
| | <u>1,784</u> | <u>2,221</u> |
| Non-current | | |
| - secured | 20,304 | 18,362 |
| - unsecured | 3,458 | 3,395 |
| | <u>23,762</u> | <u>21,757</u> |
| Total borrowings | <u>25,546</u> | <u>23,978</u> |

The currency exposure profile of borrowings for the Group are as follows:

| Functional currency (RM) | <u>30.06.14</u> | <u>31.12.13</u> |
|--------------------------|-----------------|-----------------|
| | RM mil | RM mil |
| USD | 667 | 286 |
| AUD | 1,976 | 1,938 |
| RM | 22,903 | 21,754 |
| | <u>25,546</u> | <u>23,978</u> |

24. Realised and unrealised profit/losses disclosure

The retained earnings as at 30 June 2014 is analysed as follows:

| | As at 30.06.14 RM mil | As at 31.12.13 RM mil |
|--|-----------------------------|-----------------------------|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 2,714.5 | 2,787.5 |
| - Unrealised | 358.7 | 261.8 |
| | 3,073.2 | 3,049.3 |
| Total retained earnings from associated companies: | | |
| - Realised | 142.4 | 100.2 |
| - Unrealised | (28.4) | (28.4) |
| | 114.0 | 71.8 |
| Total retained earnings from joint ventures: | | |
| - Realised | 29.4 | 15.5 |
| - Unrealised | (25.0) | (25.0) |
| | 4.4 | (9.5) |
| Total retained earnings before consolidation adjustment | 3,191.6 | 3,111.6 |
| Less: Consolidation adjustment | (63.4) | (80.0) |
| Total retained earnings as per interim | 3,128.2 | 3,031.6 |

25. Changes in material litigation

- a) Following the award in the arbitration ("Award") involving the MMC Engineering Group Berhad - Gamuda Berhad Joint Venture ("the JV") and Wayss & Freytag (Malaysia) Sdn Bhd ("Wayss & Freytag"), the JV's application to the High Court seeking to set aside the Award on determination of questions of law ("the s.42 Application") was dismissed by the High Court on 9 June 2014. The JV has filed an appeal to the Court of Appeal against the dismissal of the JV's s.42 Application.

On 10 July 2014, the High Court dismissed the application to stay proceedings filed by one of the arbitrators. On the

same date, Wayss & Freytag, withdrew its application to bifurcate proceedings.

The JV's s.37 Application to set aside the Award on the basis of, among others, being in conflict with the public policy in Malaysia, has been fixed for hearing on 20 October 2014.

- b) Port Dickson Power Berhad ("PDP"), a wholly-owned subsidiary of Malakoff Corporation Berhad, commenced arbitration proceedings on 26 March 2013 against Tenaga Nasional Berhad ("TNB"), pursuant to a Power Purchase Agreement of 10 December 1993 ("the PPA"). In the arbitration proceedings, PDP among others claims an amount of RM56.6 million (including interests thereon to be calculated) in respect of outstanding capacity and energy payments from February 1999 to November 2011. PDP alternatively claims against TNB an amount of RM86.9 million (including interests thereon to be calculated) for the outstanding capacity and energy payments from February 1999 to August 2013 based on the provisions in the PPA. The arbitration proceedings is tentatively fixed for hearing on 26 to 30 January 2015.

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 since the last audited financial statements for the financial year ended 31 December 2013.

26. Dividend Payable

No interim dividend has been recommended by the Directors for the current quarter ended 30 June 2014 (30 June 2013: Nil).

27. Earnings per ordinary share

Basic/diluted Earnings Per Ordinary Share

| | 3 months | 3 months | Cumulative | Cumulative |
|---|-----------------|-----------------|-----------------|-----------------|
| | ended | ended | 6 months | 6 months |
| | <u>30.06.14</u> | <u>30.06.13</u> | <u>30.06.14</u> | <u>30.06.13</u> |
| Profit for the financial period attributable to owners of the Parent (RM mil) | 165 | 44 | 189 | 53 |
| 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) | 5.4 | 1.4 | 6.2 | 1.7 |
| Diluted earnings per ordinary share (sen) | 5.4 | 1.4 | 6.2 | 1.7 |

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 27 August 2014.

By Order of the Board
 Ahmad Aznan Mohd Nawawi (L.S. No.0009371)
 Sazlin Ayesha Abdul Samat (L.S. No.0008112)
 Secretaries
 Kuala Lumpur
 27 August 2014