Condensed Consolidated Statement of Comprehensive Income
Quarterly report on unaudited consolidated results for the period ended 31 March 2018

	3 months ended 31.03.18 RM'000 (Unaudited)	3 months ended 31.03.17 RM'000 (Unaudited)	Cumulative 3 months ended 31.03.18 RM'000 (Unaudited)	Cumulative 3 months ended 31.03.17 RM'000 (Unaudited)
Revenue	1,279,683	925,232	1,279,683	925,232
Cost of sales	(906,280)	(565,609)	(906,280)	(565,609)
Gross profit	373,403	359,623	373,403	359,623
Other operating income				
- items relating to investments	15,233	-	15,233	-
- others	29,908	41,548	29,908	41,548
Administrative expenses	(168,633)	(163,310)	(168,633)	(163,310)
Other operating expenses	(106,319)	(91,958)	(106,319)	(91,958)
Finance costs	(129,194)	(120,992)	(129,194)	(120,992)
Share of results of:				
- associates	34,728	56,903	34,728	56,903
- joint ventures	15,121	11,555	15,121	11,555
Profit before zakat and taxation	64,247	93,369	64,247	93,369
Tax expense	(8,705)	(26,885)	(8,705)	(26,885)
Profit for the financial period	55,542	66,484	55,542	66,484
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Movement in associates' capital reserves	44,346	-	44,346	-
Fair value adjustment-cash flow hedge	(8,656)	(12,180)	(8,656)	(12,180)
Currency translation differences	(14,241)	(4,929)	(14,241)	(4,929)
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")	(101)	11,255	(101)	11,255
Other comprehensive income/(loss) for the financial period	21,348	(5,854)	21,348	(5,854)
Total comprehensive income for the financial period	76,890	60,630	76,890	60,630
Profit attributable to:				
Owners of the Parent	41,346	56,124	41,346	56,124
Non-controlling interests	14,196	10,360	14,196	10,360
	55,542	66,484	55,542	66,484
Total comprehensive income attributable to:				
Owners of the Parent	62,694	50,270	62,694	50,270
Non-controlling interests	14,196	10,360	14,196	10,360
	76,890	60,630	76,890	60,630
Earnings per share attributable to owners of the Parent				
- Basic (sen)	1.4	1.8	1.4	1.8

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 31.03.18 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	7,847,946	7,088,789	7,011,050
Investment properties	1,246,893	1,236,276	1,258,269
Interests in associates	4,542,054	4,505,766	4,558,660
Investments in joint arrangements	573,779	558,865	321,668
Investments securities	2,986	3,088	3,352
Inventories	1,872,057	1,861,811	1,734,356
Trade and other receivables	342,162	327,687	111,604
Derivative financial instruments	-	-	5,154
Intangible assets	2,316,323	2,964,383	2,914,441
Deferred tax assets	701,522	717,255	770,377
	19,445,722	19,263,920	18,688,931
Current Assets			
Inventories	122,097	119,082	211,294
Trade and other receivables	2,330,232	2,209,596	2,329,908
Derivative financial instruments	2,947	3,868	21,241
Tax recoverable	79,408	71,724	42,620
Investments securities	33,158	-	77,642
Deposits, bank and cash balances	826,133	1,005,525	1,224,409
	3,393,975	3,409,795	3,907,114
Assets held for sale	148,454	148,454	149,228
Total Assets	22,988,151	22,822,169	22,745,273
Equity and Liabilities			
Equity attributable to owners of the Parent			
Share capital	2,344,276	2,344,276	304,506
Reserves	7,238,670	7,175,976	9,237,242
	9,582,946	9,520,252	9,541,748
Non-controlling interests	731,993	717,797	697,952
Total equity	10,314,939	10,238,049	10,239,700
Non-Current Liabilities			
Redeemable preference shares	33,349	33,349	50,023
Borrowings	7,493,965	7,474,881	7,551,654
Land lease received in advance	241,649	235,756	254,229
Provision for retirement benefits	17,146	16,595	15,486
Deferred income	226,163	230,308	259,465
Deferred tax liabilities	536,144	543,408	527,653
Trade and other payables	316,006	315,626	310,379
	8,864,422	8,849,923	8,968,889
Current Liabilities			
Borrowings	1,361,371	1,350,043	1,494,684
Trade and other payables	2,417,515	2,343,477	1,999,840
Tax payables	2,397	3,278	12,843
Deferred income	26,166	29,259	29,302
Derivative financial instruments	1,341	8,140	15
	3,808,790	3,734,197	3,536,684
Total Liabilities	12,673,212	12,584,120	12,505,573
Total equity and liabilities	22,988,151	22,822,169	22,745,273
Net assets per share attributable to owners of the Parent (sen)	315	313	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 31 March 2018

	Attributable to owners of the parent								
	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	Retained earnings RM'000	Total RM'000	Non-controlling interests (NCI) RM'000	Total equity RM'000
At 1 January 2018 (as restated)	2,344,276	63,580	28,120	3,066	4,588	7,076,622	9,520,252	717,797	10,238,049
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	-	-	-	-	-	5,341	5,341	-	5,341
Net profit for the financial year	-	-	-	-	-	41,346	41,346	14,196	55,542
Other comprehensive (loss)/income	-	(22,692)	-	(101)	44,141	-	21,348	-	21,348
Total comprehensive (loss)/ income for the financial year	-	(22,692)	-	(101)	44,141	41,346	62,694	14,196	76,890
At 31 March 2018	2,344,276	40,888	28,120	2,965	48,729	7,117,968	9,582,946	731,993	10,314,939

* - 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 31 March 2017

	Attributable to owners of the parent										
	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	Total RM'000	Non-controlling interests (NCI) RM'000	Total equity RM'000
At 1 January 2017 (as restated)	2,344,276	-	98,085	28,120	59,922	31,085	-	6,980,260	9,541,748	697,952	10,239,700
As previously stated	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
Prior year adjustment	-	-	-	-	-	-	-	9,182	9,182	-	9,182
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	-	-	-	-	-	-	-	56,124	56,124	10,360	66,484
Other comprehensive (loss)/income	-	-	(4,929)	-	11,255	(12,180)	-	-	(5,854)	-	(5,854)
Total comprehensive (loss)/ income for the financial period	-	-	(4,929)	-	11,255	(12,180)	-	56,124	50,270	10,360	60,630
Compulsory acquisition of NCI	-	-	-	-	-	-	-	660	660	-	660
At 31 March 2017	2,344,276	-	93,156	28,120	71,177	18,905	-	7,037,044	9,592,678	708,312	10,300,990

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 2017.

Condensed Consolidated Statement of Cash Flows

	3 months ended 31.03.18 RM'000 (Unaudited)	3 months ended 31.03.17 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before zakat and taxation	64,247	93,369
Adjustments for:		
Non-cash items	101,591	125,046
Interest expense	129,194	120,992
Interest income	(7,270)	(5,809)
Share of results in associates and joint ventures	(49,849)	(68,458)
Operating profit before working capital changes	237,913	265,140
Changes in working capital:		
Net change in inventories	(13,261)	(15,496)
Net change in other current assets	(179,457)	211,500
Net change in current liabilities	101,433	(219,557)
Cash generated from operations	146,628	241,587
Designated account and pledged deposits	(110,752)	(87,244)
Net tax paid	(8,801)	(72,676)
Land lease received in advance	15,103	15,103
Retirement benefits paid	-	(685)
Net cash generated from operating activities	**42,178**	**96,085**
Cash flows from investing activities		
Investment in joint ventures	-	(180,000)
Purchase of property, plant and equipment	(226,053)	(134,980)
Purchase of intangible assets	(43)	(13,922)
Purchase of investment properties	(11,176)	-
Proceeds from sale of property, plant and equipment	-	846
Interest received	7,270	5,809
Dividend received from associates	15,887	15,887
Net cash used in investing activities	**(214,115)**	**(306,360)**
Cash flows from financing activities		
Repayment of term loans	(1,143,463)	(196,248)
Drawdown of term loans	1,167,579	52,449
Interest paid	(129,194)	(120,992)
Net cash used in financing activities	**(105,078)**	**(264,791)**
Net decrease in cash and cash equivalents	(277,015)	(475,066)
Effects of changes in exchange rate	(14,241)	(4,929)
Cash and cash equivalents at beginning of financial period	980,049	1,193,157
Cash and cash equivalents at end of financial period	**688,793**	**713,162**
Cash and cash equivalents comprise:		
Deposits and bank balances	826,133	832,158
Designated accounts	(135,679)	(117,947)
Pledge deposits	(549)	(549)
Bank overdrafts	(1,112)	(500)
	688,793	**713,162**

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.

The Group adopted the following Amendments to MFRSs effective for annual period beginning on or after 1 January 2018 as follows:

- 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	**Debit/ (Credit) RM'000**
Investment in associates	(10,350)
Investment in joint ventures	4,884
Trade & other receivables – non-current	14,567
Trade & other payables – non-current	(3,760)
Net impact to retained earnings	5,341

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. Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter ended 31 March 2018.

8. Dividend paid

There was no dividend paid during the current quarter ended 31 March 2018.

9. Segment Reporting

The Group's segmental reporting for the current financial period ended 31 March 2018 is as follows:

	Ports & Logistics	Energy & Utilities		Engineering	Investment Holding, Corporate Others	Total
		Gas	Energy			
	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil
PTD 31.03.2018						
Revenue						
Total	657	-	-	655	21	1,333
Inter-segment	(2)	-	-	(51)	-	(53)
External	655	-	-	604	21	1,280
Results						
Profit/(loss) before zakat and taxation	55	17	21	74	(103)	64
Finance costs	42	-	-	-	87	129
Depreciation and Amortisation	101	-	-	1	13	115
EBITDA*	198	17	21	75	(3)	308
PTD 31.03.2017						
Revenue						
Total	716	-	-	208	19	943
Inter-segment	(3)	-	-	(15)	-	(18)
External	713	-	-	193	19	925
Results						
Profit/(loss) before zakat and taxation	124	11	38	26	(106)	93
Finance costs	42	-	-	3	76	121
Depreciation and Amortisation	96	-	-	2	14	112
EBITDA*	262	11	38	31	(16)	326

*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 31 March 2018.

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

a) On 3 April 2017, MMC Port Holdings Sdn Bhd ("MMC Port"), a wholly-owned subsidiary of MMC, had entered into a conditional Share Sale and Purchase Agreement ("SPA") with Seaport Terminal (Johore) Sdn Bhd ("STJSB") to acquire 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 subject to the terms and conditions contained in the SPA. Subsequently on 1 May 2018, the SPA has become unconditional and the Proposed 51.0% Acquisition was completed in accordance with the terms of the SPA. Following the completion of the acquisition, PPSB has become a wholly-owned subsidiary of MMC Port.

b) On 19 January 2017, MMC announced that its wholly-owned subsidiary, MMC Technical Services Sdn Bhd ("MMC TSSB"), had entered into a share purchase agreement ("MMCOG SPA") with Melati Pertiwi Sdn Bhd ("Melati Pertiwi") for the disposal of its 100% beneficial interest in MMC Oil & Gas Engineering Sdn Bhd by MMC TSSB to Melati Pertiwi, for a cash consideration of RM50.0 million subject to the terms and conditions contained in the MMCOG SPA ("Proposed disposal"). The proposed disposal was subsequently terminated on 18 May 2018.

c) 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.

12. Changes in composition of the Group

a) On 11 January 2018, MMC Utilities Holdings Sdn Bhd and MMC Rail Ventures Sdn Bhd, wholly-owned dormant subsidiaries of MMC Corporation Bhd ("MMC"), submitted their applications to the Companies Commission of Malaysia ("CCM") to strike off their names from the register of CCM pursuant to Section 550 of the Companies Act, 2016 ("Proposed Striking Off"). The Proposed Striking Off is not expected to have any significant financial and operational impact on MMC Group for the financial year ending 31 December 2018.

b) On 16 January 2018, MMC Zelan Sdn Bhd ("MMCZ"), a 60%-owned subsidiary of MMC, had passed a special resolution to wind-up MMCZ 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.

c) On 9 March 2018, Zelan Berhad ceased to be an associate of the Group as the Group no longer has significant influence over the company. The Group had reclassified the investment in Zelan Berhad as an Investments securities.

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:

	31.03.18	31.12.17
	RM mil	RM mil
Subsidiaries	216.6	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:

	31.03.18	31.12.17
	RM mil	RM mil
Property, plant and equipment:		
Authorised and contracted for	617.7	507.0

Additional information required by the Bursa Securities Listing Requirements

16. Review of performance

For the financial period ended 31 March 2018, the Group recorded RM1,279.7 million in revenue, a 38.3% increase from RM925.2 million reported in the corresponding quarter of the preceding financial period due to work progress from KVMRT-SSP Line and Langat Sewerage Treatment project as well as higher volume handled at Pelabuhan Tanjung Pelepas ("PTP"). However, these are 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 RM64.2 million compared with RM93.4 million reported in the corresponding quarter of the preceding financial period, 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 and PTP as explained above.

<u>Ports & Logistics</u>

The segment recorded revenue of RM654.5 million, a decrease of 8.2% compared with RM712.8 million reported in the corresponding quarter of the preceding financial period, 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.

The segment recorded decrease in Profit before zakat and taxation by RM57.1 million to RM67.0 million compared with RM124.1 million reported in the corresponding quarter of the preceding financial period due to lower contribution from JPB and NMB, compensated by higher contribution from PTP and share of profit from Penang Port Sdn Bhd ("PPSB").

<u>Energy & Utilities</u>

The segment recorded a decrease in Profit before zakat and taxation of RM38.0 million compared with RM49.3 million reported in the corresponding quarter of the preceding financial period due to lower share of profit from Malakoff. This is mainly attributable to lower contribution from SEV's plant and lower fuel margin recorded at coal plants, as explained above.

<u>Engineering</u>

The segment recorded revenue of RM604.3 million, an increase of 212.0% compared with RM193.7 million reported in the corresponding quarter of the preceding financial period. The increment was mainly due to progress from KVMRT-SSP Line and Langat Sewerage Treatment project.

The segment recorded an increase of 187.3% in Profit before zakat and taxation to RM74.4 million from RM25.9 million reported in the corresponding quarter of the preceding financial period mainly due to progress from KVMRT-SSP Line.

Investment Holding, Corporate & Others

The segment recorded revenue of RM21.0 million, an increase of 12.2% compared with RM18.7 million reported in the corresponding quarter of the preceding financial period due to increase in passenger volume at Senai Airport.

The segment recorded higher Loss before zakat and taxation by RM9.7 million to RM115.3 million compared with RM105.6 million reported in the corresponding quarter of the preceding financial period due to higher finance costs incurred.

17. Variation of results against immediate preceding quarter

The Group recorded lower Profit before zakat and taxation of RM64.3 million in the current quarter compared with RM185.0 million in the immediate preceding quarter mainly attributed to absence of gain on disposal of equity securities and recognition of negative goodwill arising from acquisition of 49% equity stake in PPSB in the current quarter.

18. Current prospects

The Group remains positive of its prospects driven by improving performances of its operating companies together with contribution from on-going construction projects.

Ports & Logistics division is expected to register higher revenue across all the ports. The completion of 100% acquisition in Penang Port Sdn Bhd ("PPSB") is expected to contribute positively to the Group's earnings as it allows full consolidation of PPSB as a wholly-owned subsidiary. 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 improve the financial performance of its Ports & Logistics division.

The Energy & Utilities division will continue 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 31.03.18	3 months ended 31.03.17	Cumulative 3 months ended 31.03.18	Cumulative 3 months ended 31.03.17
	RM mil	RM mil	RM mil	RM mil
Interest income	(7.3)	(5.8)	(7.3)	(5.8)
Depreciation	109.3	103.8	109.3	103.9
Amortisation	6.2	7.8	6.2	7.8
Gain on disposal of property, plant and equipment	-	(0.2)	-	(0.2)
Remeasurement gain of other investment	(15.2)	-	(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 31.03.18	3 months ended 31.03.17	Cumulative 3 months ended 31.03.18	Cumulative 3 months ended 31.03.18
	RM mil	RM mil	RM mil	RM mil
Current tax expense				
- current	5	(25)	5	(25)
- prior years	(2)	-	(2)	-
Deferred tax expense				
- current	(12)	(2)	(12)	(2)
	(9)	(27)	(9)	(27)

The Group's effective tax rate for the quarter ended 31 March 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 but not completed up to the date of this announcement.

23. Investments 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:

	31.03.18	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	(0.1)	8.6
At 31.03.18/31.12.17	36.1	3.1
Less: Non-current portion	(3.0)	(3.1)
Current portion	33.1	-

24. Borrowings

	31.03.18	31.12.17
	RM mil	RM mil
Current		
- secured	691	620
- unsecured	670	730
	1,361	1,350
Non-current		
- secured	3,549	4,781
- unsecured	3,945	2,694
	7,494	7,475
Total borrowings	8,855	8,825

All borrowings of the Group are denominated in Ringgit Malaysia.

25. Changes in material litigation

a) 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 shipowners, Rising Star Shipping Sdn Bhd ("RSS"), and an in personam action against RSS and the insurers, 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.

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 31 March 2018 (31 March 2017: Nil).

27. Earnings per ordinary share

Basic Earnings Per Ordinary Share

	3 months ended 31.03.18	3 months ended 31.03.17	Cumulative 3 months ended 31.03.18	Cumulative 3 months ended 31.03.17
Profit for the financial year attributable to owners of the Parent (RM mil)	41.3	56.1	41.3	56.1
Weighted average number of ordinary shares in issue ('mil)	3,045.1	3,045.1	3,045.1	3,045.1
Basic earnings per ordinary share (sen)	1.4	1.8	1.4	1.8

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 28 May 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
28 May 2018