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

	3 months ended 30.09.18 RM'000 (Unaudited)	3 months ended 30.09.17 RM'000 (Unaudited)	Cumulative 9 months ended 30.09.18 RM'000 (Unaudited)	Cumulative 9 months ended 30.09.17 RM'000 (Unaudited)
Revenue	944,077	1,055,734	3,424,579	2,925,391
Cost of sales	(560,328)	(639,492)	(2,265,000)	(1,796,617)
Gross profit	383,749	416,242	1,159,579	1,128,774
Other operating income				
- items relating to investments	50,470	-	65,703	-
- others	23,217	50,490	84,671	117,590
Administrative expenses	(206,686)	(187,948)	(563,935)	(521,007)
Other operating expenses	(73,396)	(76,489)	(300,422)	(251,981)
Finance costs	(139,462)	(120,725)	(398,692)	(359,677)
Share of results of:				
- associates	31,119	24,001	85,068	130,321
- joint ventures	19,771	(39,201)	61,155	17,210
Profit before zakat and taxation	88,782	66,370	193,127	261,230
Tax expense	(36,522)	(36,066)	(55,919)	(93,366)
Profit for the financial period	52,260	30,304	137,208	167,864
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Movement in associates' capital reserves	7,149	-	(12,353)	-
Fair value adjustment-cash flow hedge	4,530	(5,951)	7,126	(25,445)
Currency translation differences	7,740	(5,280)	6,856	(19,834)
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")	(9,146)	(4,975)	(15,451)	8,690
Other comprehensive income/(loss) for the financial period	10,273	(16,206)	(13,822)	(36,589)
Total comprehensive income for the financial period	62,533	14,098	123,386	131,275
Profit attributable to:				
Owners of the Parent	38,944	18,936	100,365	134,873
Non-controlling interests	13,316	11,368	36,843	32,991
	52,260	30,304	137,208	167,864
Total comprehensive income attributable to:				
Owners of the Parent	49,217	2,730	86,543	98,284
Non-controlling interests	13,316	11,368	36,843	32,991
	62,533	14,098	123,386	131,275
Earnings per share attributable to owners of the Parent				
- Basic (sen)	1.3	0.6	3.3	4.4

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 30.09.18 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	9,405,925	7,088,789	7,011,050
Investment properties	1,259,601	1,236,276	1,258,269
Interests in associates	4,441,162	4,505,766	4,558,660
Investments in joint arrangements	338,833	553,981	313,141
Investment securities	2,557	3,088	3,352
Inventories	1,879,103	1,861,811	1,734,356
Trade and other receivables	375,672	313,120	109,362
Derivative financial instruments	-	-	5,154
Intangible assets	2,354,422	2,964,383	2,914,441
Deferred tax assets	761,042	717,255	770,377
	20,818,317	19,244,469	18,678,162
Current Assets			
Inventories	128,503	119,082	211,294
Trade and other receivables	2,581,212	2,209,596	2,329,908
Derivative financial instruments	1,197	3,868	21,241
Tax recoverable	123,159	71,724	42,620
Investments securities	18,237	-	77,642
Deposits, bank and cash balances	1,157,934	1,005,525	1,224,409
	4,010,242	3,409,795	3,907,114
Assets held for sale	156,896	148,454	149,228
Total Assets	24,985,455	22,802,718	22,734,504
Equity and Liabilities			
Equity attributable to owners of the Parent			
Share capital	2,344,276	2,344,276	304,506
Reserves	7,125,026	7,160,285	9,228,060
	9,469,302	9,504,561	9,532,566
Non-controlling interests	754,215	717,797	697,952
Total equity	10,223,517	10,222,358	10,230,518
Non-Current Liabilities			
Redeemable preference shares	16,674	33,349	50,023
Borrowings	8,527,807	7,474,881	7,551,654
Land lease received in advance	234,499	235,756	254,229
Provision for retirement benefits	130,182	16,595	15,486
Deferred income	211,793	230,308	259,465
Deferred tax liabilities	552,348	543,408	527,653
Trade and other payables	438,497	311,866	308,792
	10,111,800	8,846,163	8,967,302
Current Liabilities			
Borrowings	2,047,927	1,350,043	1,494,684
Trade and other payables	2,572,966	2,343,477	1,999,840
Tax payables	3,077	3,278	12,843
Deferred income	26,166	29,259	29,302
Derivative financial instruments	2	8,140	15
	4,650,138	3,734,197	3,536,684
Total Liabilities	14,761,938	12,580,360	12,503,986
Total equity and liabilities	24,985,455	22,802,718	22,734,504
Net assets per share attributable to owners of the Parent (sen)	311	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 September 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	7,060,931	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	-	-	-	-	-	100,365	100,365	36,843	137,208
Other comprehensive income/(loss)	-	(3,808)	-	(15,451)	5,437	-	(13,822)	-	(13,822)
Total comprehensive income/(loss) for the financial period	-	(3,808)	-	(15,451)	5,437	100,365	86,543	36,843	123,386
Acquisition of NCI	-	-	-	-	-	-	-	(425)	(425)
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(121,802)	(121,802)	-	(121,802)
At 30 September 2018	2,344,276	59,772	28,120	(12,385)	10,025	7,039,494	9,469,302	754,215	10,223,517

* - 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 September 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	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	-	-	-	-	-	-	-	134,873	134,873	32,991	167,864
Other comprehensive (loss)/income	-	-	(19,834)	-	8,690	(25,445)	-	-	(36,589)	-	(36,589)
Total comprehensive (loss)/ income for the financial period	-	-	(19,834)	-	8,690	(25,445)	-	134,873	98,284	32,991	131,275
Compulsory acquisition of NCI	-	-	-	-	-	-	-	660	660	-	660
Final dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	-	-	(121,802)	(121,802)	-	(121,802)
At 30 September 2017	2,344,276	-	78,251	28,120	68,612	5,640	-	6,984,809	9,509,708	730,943	10,240,651

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

	9 months ended 30.09.18 RM'000 (Unaudited)	9 months ended 30.09.17 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before zakat and taxation	193,127	261,230
Adjustments for:		
Non-cash items	356,180	417,861
Interest expense	398,692	359,677
Interest income	(21,692)	(18,832)
Dividend income	(150)	(725)
Share of results in associates and joint ventures	(146,223)	(147,531)
Operating profit before working capital changes	779,934	871,680
Changes in working capital:		
Net change in inventories	(21,066)	(28,362)
Net change in other current assets	(384,226)	(189,732)
Net change in current liabilities	140,182	76,385
Cash generated from operations	514,824	729,971
Designated account and pledged deposits	(116,030)	(106,878)
Net tax paid	(69,717)	(133,948)
Land lease received in advance	10,015	15,103
Net cash generated from operating activities	**339,092**	**504,248**
Cash flows from investing activities		
Net cash outflow from acquisition of a subsidiary	(23,453)	-
Net cash inflow from disposal of a joint venture	-	4,100
Purchase of additional shares in a subsidiary from non-controlling interests	(425)	-
Investment in joint ventures	-	(180,800)
Purchase of property, plant and equipment	(635,663)	(273,098)
Purchase of intangible assets	(43)	(47,060)
Purchase of investment properties	(29,222)	-
Proceeds from sale of property, plant and equipment	-	3,069
Proceeds from sale of other non-current assets	2,737	386
Interest received	21,692	18,832
Dividend received from:		
- Associates	123,144	100,956
- Joint Ventures	14,000	25,000
- Others	150	725
Net cash used in investing activities	**(527,083)**	**(347,890)**
Cash flows from financing activities		
Repayment of term loans	(1,437,699)	(441,852)
Drawdown of term loans	2,175,706	299,815
Dividend paid	(121,802)	(121,802)
Interest paid	(398,692)	(359,677)
Net cash generated from/(used in) financing activities	**217,513**	**(623,516)**
Net decrease in cash and cash equivalents	29,522	(467,158)
Effects of changes in exchange rate	6,856	(19,834)
Cash and cash equivalents at beginning of financial period	980,049	1,193,157
Cash and cash equivalents at end of financial period	**1,016,427**	**706,165**
Cash and cash equivalents comprise:		
Deposits and bank balances	1,157,934	844,295
Designated accounts	(140,958)	(137,581)
Pledge deposits	(549)	(549)
	1,016,427	**706,165**

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 September 2018.

8. Dividend paid

In respect of the financial year ended 31 December 2017, a final single-tier dividend of 4.0 sen per ordinary share of RM0.10 each on 3,045,058,552 ordinary shares amounting to RM121,802,342 was paid on 5 July 2018.

9. Segment Reporting

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

	Ports & Logistics	Energy & Utilities		Engineering	Investment Holding, Corporate & Others	Total
		Gas	Energy			
	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil
QTD 30.09.2018						
Revenue						
Total	792	-	-	188	24	1,004
Inter-segment	(3)	-	-	(57)	-	(60)
External	789	-	-	131	24	944
Results						
Profit/(loss) before zakat and taxation	137	12	17	21	(98)	89
Finance costs	61	-	-	-	78	139
Depreciation and Amortisation	125	-	-	1	16	142
EBITDA*	323	12	17	22	(4)	370
QTD 30.09.2017						
Revenue						
Total	726	-	-	352	24	1,102
Inter-segment	-	-	-	(46)	-	(46)
External	726	-	-	306	24	1,056
Results						
Profit/(loss) before zakat and taxation	127	9	23	7	(100)	66
Finance costs	42	-	-	-	79	121
Depreciation and Amortisation	105	-	-	-	10	115
EBITDA*	274	9	23	7	(11)	302

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

b) Current Financial Period Ended 30 September 2018 (9 months)

	Ports & Logistics	Energy & Utilities		Engineering	Investment Holding, Corporate & Others	Total
		Gas	Energy			
	RM mil	RM mil	RM mil	RM mil	RM mil	RM mil
FPE 30.09.2018						
Revenue						
Total	2,193	-	-	1,339	67	3,599
Inter-segment	(10)	-	-	(164)	-	(174)
External	2,183	-	-	1,175	67	3,425
Results						
Profit/(loss) before zakat and taxation	286	44	49	173	(359)	193
Finance costs	156	-	-	1	242	399
Depreciation and Amortisation	348	-	-	5	38	391
EBITDA*	790	44	49	179	(79)	983
FPE 30.09.2017						
Revenue						
Total	2,148	-	-	839	62	3,049
Inter-segment	(5)	-	-	(119)	-	(124)
External	2,143	-	-	720	62	2,925
Results						
Profit/(loss) before zakat and taxation	369	30	100	92	(330)	261
Finance costs	125	-	-	3	232	360
Depreciation and Amortisation	313	-	-	3	31	347
EBITDA*	807	30	100	98	(67)	968

*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 September 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% equity interest in PPSB for a cash consideration of RM220.0 million. Following the completion of the acquisition, PPSB has became a wholly-owned subsidiary of MMC Port.

The following summarizes the amounts of assets and liabilities recognised at the acquisition date:

	Book Value RM'000	Fair Value RM'000
Property, plant & equipment	1,365,882	1,426,447
Cash and bank	196,547	196,547
Deferred tax assets	87,280	72,685
Other tangible assets	59,911	59,911
Intangible assets	13,698	44,492
Borrowings	(1,000,000)	(1,000,000)
Provision for retirement benefits	(119,961)	(119,961)
Other liabilities	(116,798)	(147,346)
Total identifiable net assets	486,559	532,775

Cash consideration paid during the year	198,000
Deposit paid in prior financial year	22,000
	220,000
Share of 51% fair value of identifiable net assets	(271,715)
Negative goodwill	51,715

Net cash outflow arising from acquisition of a subsidiary:

Cash consideration paid	220,000
Less: Cash and cash equivalent of subsidiary acquired	(196,547)
Net cash outflow to the Group on acquisition	23,453

b) On 6 September 2018, Penang Port Sdn Bhd ("PPSB"), a wholly-owned subsidiary of MMC Port Holdings Sdn Bhd ("MMC Port"), which in turn is a wholly-owned subsidiary of MMC, had acquired 6 ordinary shares in Swettenham Pier Cruise Terminal Sdn Bhd ("SPCTSB"), representing 60.0% equity interest in SPCTSB for a cash consideration of RM6. Following the completion of the acquisition, SPCTSB has became a subsidiary of PPSB.

Save as disclosed above, there was no change in the composition of the Group for the current quarter ended 30 September 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:

	30.09.18	31.12.17
	RM mil	RM mil
Subsidiaries	229.4	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:

	30.09.18	31.12.17
	RM mil	RM mil
Property, plant and equipment:		
Authorised and contracted for	396.7	507.0

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 September 2018, the Group recorded RM944.1 million in revenue, a decrease of 10.6% from RM1,055.7 million reported in the corresponding quarter ended 30 September 2017, due to lower work progress from KVMRT-SSP Line, 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”). These were cushioned by work progress at Langat Sewerage Treatment project, higher volume handled at Pelabuhan Tanjung Pelepas (“PTP”) as well as effect from consolidation of PPSB’s revenue.

The Group’s Profit before zakat and taxation increased to RM88.8 million compared with RM66.4 million reported in the corresponding quarter ended 30 September 2017, mainly due to the following:

i. no one-off provision for impairment of RM98.0 million on SMART as a result of lower projected traffic volume; and
ii. recognition of negative goodwill of RM51.7 million arising from acquisition of remaining 51% equity stake in PPSB upon finalisation of PPA.

Offset with:

i. lower contribution from JPB and NMB as explained above;
ii. lower contribution from KVMRT-SSP Line; and

iii. no forfeitured deposit on land sale transaction at Senai Airport City ("SAC").

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

For the financial period ended 30 September 2018, the Group recorded RM3,424.6 million in revenue, a 17.1% increase from RM2,925.4 million reported in the corresponding period of the preceding year due to higher cumulative work progress from KVMRT-SSP Line, consolidation of PPSB's revenue, higher volume handled at PTP and work progress at Langat Sewerage Treatment project. 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 RM193.1 million compared with RM261.2 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;
ii. lower share of profit from Energy & Utilities division;
iii. lower contribution from KVMRT-SBK Line following full completion in July 2017; and
iv. no forfeitured deposit on land sale transaction at SAC.

These were compensated by higher contribution from KVMRT-SSP Line and PTP, effect from full consolidation of PPSB's result and recognition of negative goodwill of RM51.7 million arising from acquisition of remaining 51% equity stake on 1 May 2018 as well as no one-off provision for impairment of RM98.0 million on SMART as a result of lower projected traffic volume.

Ports & Logistics

The segment recorded revenue of RM2,183.2 million, an increase of 1.9% compared with RM2,143.1 million reported in the corresponding period of the preceding year, due to higher volume handled at PTP and effect from full consolidation of PPSB's revenue. These were offset by:

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

The segment recorded lower Profit before zakat and taxation by RM83.1 million to RM286.0 million compared with RM369.1 million reported in the corresponding period of the preceding year due to lower contribution from JPB and NMB, moderated by higher contribution from PTP, full consolidation of PPSB's result and recognition of negative goodwill arising from acquisition of remaining 51% equity stake at PPSB.

Energy & Utilities

The segment recorded a decrease in Profit before zakat and taxation by RM37.0 million compared with RM130.4 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 Segari Energy Venture's ("SEV") plant, lower fuel margin recorded at coal plants, lower contribution from associate and no settlement received on dispute in the current period, mitigated by lower operation & maintenance costs, lower finance costs as well as gain on disposal of Malakoff's associate, Lekir Bulk Terminal Sdn Bhd ("LBT").

Engineering

The segment recorded revenue of RM1,174.6 million, an increase of 63.1% compared with RM720.1 million reported in the corresponding period of the preceding year. The increment was mainly due to work progress from KVMRT-SSP Line and Langat Sewerage Treatment project.

The segment recorded an increase of 88.2% in Profit before zakat and taxation to RM172.8 million from RM91.8 million reported in the corresponding period of the preceding year due to work progress from KVMRT-SSP Line and no one-off provision for impairment in SMART, offset by lower contribution from KVMRT-SBK Line following full completion in July 2017.

Investment Holding, Corporate & Others

The segment recorded revenue of RM66.8 million, an increase of 7.4% compared with RM62.2 million reported in the corresponding period of the preceding year due to higher passenger volume at Senai Airport.

The segment recorded higher Loss before zakat and taxation by RM29.0 million to RM359.1 million compared with RM330.1 million reported in the corresponding period of the preceding year mainly due to higher finance costs incurred and no forfeitured deposit on land sale transaction at SAC, offset by remeasurement gain on investment in Zelan Berhad upon reclassification to investment securities.

17. Variation of results against immediate preceding quarter

The Group recorded higher Profit before zakat and taxation of RM88.8 million in the current quarter compared with RM40.1 million in the immediate preceding quarter mainly attributed to recognition of negative goodwill arising from acquisition of remaining 51% equity stake at PPSB.

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 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 30.09.18 RM mil	3 months ended 30.09.17 RM mil	Cumulative 9 months ended 30.09.18 RM mil	Cumulative 9 months ended 30.09.17 RM mil
Interest income	(11.7)	(11.7)	(21.7)	(18.8)
Depreciation	138.4	107.3	378.6	323.5
Amortisation	3.3	7.9	12.6	23.5
Loss on disposal of property, plant and equipment	12.2	13.3	12.2	16.2
Gain on disposal of non-curent-asset-held-for-sale	(2.1)	-	(2.1)	-
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 30.09.18 RM mil	3 months ended 30.09.17 RM mil	Cumulative 9 months ended 30.09.18 RM mil	Cumulative 9 months ended 30.09.17 RM mil
Current tax expense				
- current	(21)	(32)	(16)	(73)
- prior years	-	8	(2)	8
Deferred tax expense				
- current	(16)	(12)	(38)	(28)
	(37)	(36)	(56)	(93)

The Group's effective tax rate for the quarter ended 30 September 2018 was higher than the statutory income tax rate principally due to effect of non-deductible expenses for tax purposes.

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:

	30.09.18	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	(15.4)	8.6
At 30.09.18/31.12.17	20.8	3.1
Less: Non-current portion	(2.6)	(3.1)
Current portion	18.2	-

24. Borrowings

	30.09.18	31.12.17
	RM mil	RM mil
Current		
- secured	1,737	620
- unsecured	311	730
	2,048	1,350
Non-current		
- secured	3,362	4,781
- unsecured	5,166	2,694
	8,528	7,475
Total borrowings	10,576	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 20 April 2017, the High Court ordered that Accolade's Writ and Statement of Claim be struck out with costs.

Accolade's appeal against the High Court decision is fixed on 27 March 2019.

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 and now 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 consequently 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.

The Court has fixed the matter for trial on 17 January 2019, 18 and 19 February 2019.

d) Emrail Arbitration

On 25 October 2018, MMC-Gamuda Joint Venture Sdn. Bhd. (a 50% jointly controlled entity of MMC) ("MGJV") was served with a Notice of Intention to Commence Arbitration Proceedings ("Notice") by Emrail Sdn. Bhd.("Emrail").

Emrail is MGJV's subcontractor for the Construction, Completion, Testing, Commissioning and Maintenance of Track Works for the Electrified Double Track Project between Ipoh and Padang Besar ("Project").

The Notice is premised on Emrail's alleged dispute and differences arising out of the Conditions of Contract dated 23 December 2010 in respect of the Project.

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 September 2018 (30 September 2017: Nil).

27. Earnings per ordinary share

Basic Earnings Per Ordinary Share

	3 months ended 30.09.18	3 months ended 30.09.17	Cumulative 9 months ended 30.09.18	Cumulative 9 months ended 30.09.17
Profit for the financial year attributable to owners of the Parent (RM mil)	38.9	18.9	100.4	134.9
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)	1.3	0.6	3.3	4.4

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 November 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
27 November 2018