Condensed Consolidated Statement of Comprehensive Income
Quarterly report on unaudited consolidated results
for the financial year ended 31 December 2018

	3 months ended 31.12.18 RM'000 (Unaudited)	3 months ended 31.12.17 RM'000 (Restated)	Cumulative 12 months ended 31.12.18 RM'000 (Unaudited)	Cumulative 12 months ended 31.12.17 RM'000 (Restated)
Revenue	1,585,643	1,234,704	5,010,222	4,160,095
Cost of sales	(1,082,137)	(822,128)	(3,347,137)	(2,618,745)
Gross profit	503,506	412,576	1,663,085	1,541,350
Other operating income				
- items relating to investments	-	65,718	65,703	65,718
- others	73,405	75,690	158,076	193,280
Administrative expenses	(213,465)	(212,131)	(777,400)	(733,138)
Other operating expenses	(80,576)	(104,289)	(380,998)	(356,270)
Finance costs	(144,449)	(131,528)	(543,141)	(491,205)
Share of results of:				
- associates	53,474	(6,296)	138,542	124,025
- joint ventures	4,535	75,147	65,690	92,357
Profit before zakat and taxation	196,430	174,887	389,557	436,117
Zakat expenses	(4,614)	(5,913)	(4,614)	(5,913)
Tax expense	(61,989)	(85,004)	(117,908)	(178,370)
Profit for the financial year	129,827	83,970	267,035	251,834
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets				
- fair value gains	-	8,554	-	8,554
- disposal	-	(65,410)	-	(65,410)
Movement in associates' capital reserves	(5,927)	1,708	(18,280)	1,708
Fair value adjustment-cash flow hedge	(85)	(7,695)	7,041	(33,140)
Currency translation differences	1,069	(13,334)	7,925	(33,168)
Items that will not be reclassified subsequently to profit or loss:				
Net changes in investments securities at Fair Value Through Other Comprehensive Loss ("FVTOCI")	(9,127)	(8,690)	(24,578)	-
Remeasurement of defined benefit liability	-	(4,063)	-	(4,063)
Other comprehensive loss for the financial year	(14,070)	(88,930)	(27,892)	(125,519)
Total comprehensive income/(loss) for the financial year	115,757	(4,960)	239,143	126,315
Profit attributable to:				
Owners of the Parent	119,715	74,913	220,080	209,786
Non-controlling interests	10,112	9,057	46,955	42,048
	129,827	83,970	267,035	251,834
Total comprehensive income attributable to:				
Owners of the Parent	105,645	(14,017)	192,188	84,267
Non-controlling interests	10,112	9,057	46,955	42,048
	115,757	(4,960)	239,143	126,315
Earnings per share attributable to owners of the Parent				
- Basic (sen)	3.9	2.5	7.2	6.9

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 31.12.18 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	9,487,955	7,088,789	7,011,050
Investment properties	1,304,357	1,236,276	1,258,269
Interests in associates	4,435,615	4,491,425	4,553,189
Investments in joint arrangements	304,068	553,981	313,141
Investment securities	3,375	3,088	3,352
Inventories	1,885,008	1,861,811	1,734,356
Trade and other receivables	127,034	313,120	109,362
Derivative financial instruments	-	-	5,154
Intangible assets	2,351,125	2,964,383	2,914,441
Deferred tax assets	746,271	717,255	770,377
	20,644,808	19,230,128	18,672,691
Current Assets			
Inventories	105,130	119,082	211,294
Trade and other receivables	2,743,145	2,209,596	2,329,908
Derivative financial instruments	-	3,868	21,241
Tax recoverable	127,507	71,724	42,620
Investments securities	8,289	-	77,642
Deposits, bank and cash balances	1,596,417	1,005,525	1,224,409
	4,580,488	3,409,795	3,907,114
Assets held for sale	175,897	148,454	149,228
Total Assets	25,401,193	22,788,377	22,729,033
Equity and Liabilities			
Equity attributable to owners of the Parent			
Share capital	2,344,276	2,344,276	304,506
Reserves	7,216,330	7,145,944	9,222,589
	9,560,606	9,490,220	9,527,095
Non-controlling interests	733,215	717,797	697,952
Total equity	10,293,821	10,208,017	10,225,047
Non-Current Liabilities			
Redeemable preference shares	16,674	33,349	50,023
Borrowings	8,196,154	7,474,881	7,551,654
Land lease received in advance	249,496	235,756	254,229
Provision for retirement benefits	131,037	16,595	15,486
Deferred income	207,353	230,308	259,465
Deferred tax liabilities	601,881	543,408	527,653
Trade and other payables	448,135	311,866	308,792
	9,850,730	8,846,163	8,967,302
Current Liabilities			
Borrowings	2,487,170	1,350,043	1,494,684
Trade and other payables	2,737,853	2,343,477	1,999,840
Tax payables	4,559	3,278	12,843
Deferred income	26,701	29,259	29,302
Derivative financial instruments	359	8,140	15
	5,256,642	3,734,197	3,536,684
Total Liabilities	15,107,372	12,580,360	12,503,986
Total equity and liabilities	25,401,193	22,788,377	22,729,033
Net assets per share attributable to owners of the Parent (sen)	314	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 year ended 31 December 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	30,361	7,020,817	9,490,220	717,797	10,208,017
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 adjustments	-	-	-	-	25,773	(50,464)	(24,691)	-	(24,691)
Net profit for the financial year	-	-	-	-	-	220,080	220,080	46,955	267,035
Other comprehensive income/(loss)	-	7,363	-	(24,578)	(10,677)	-	(27,892)	-	(27,892)
Total comprehensive income/(loss) for the financial year	-	7,363	-	(24,578)	(10,677)	220,080	192,188	46,955	239,143
Acquisition of NCI	-	-	-	-	-	-	-	(635)	(635)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(30,902)	(30,902)
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(121,802)	(121,802)	-	(121,802)
At 31 December 2018	2,344,276	70,943	28,120	(21,512)	19,684	7,119,095	9,560,606	733,215	10,293,821

* - 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 year ended 31 December 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)	304,506	2,039,770	98,085	28,120	59,922	60,456	374,945	6,561,291	9,527,095	697,952	10,225,047
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 adjustments	-	-	-	-	-	29,371	-	(34,842)	(5,471)	-	(5,471)
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 year	-	-	-	-	-	-	-	209,786	209,786	42,048	251,834
Other comprehensive loss	-	-	(34,505)	-	(56,856)	(30,095)	-	(4,063)	(125,519)	-	(125,519)
Total comprehensive (loss)/ income for the financial year	-	-	(34,505)	-	(56,856)	(30,095)	-	205,723	84,267	42,048	126,315
Acquisition through business combination	-	-	-	-	-	-	-	-	-	9,000	9,000
Compulsory acquisition of NCI	-	-	-	-	-	-	-	660	660	-	660
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(31,203)	(31,203)
Final dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	-	-	(121,802)	(121,802)	-	(121,802)
At 31 December 2017	2,344,276	-	63,580	28,120	3,066	30,361	-	7,020,817	9,490,220	717,797	10,208,017

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

	12 months ended 31.12.18 RM'000 (Unaudited)	12 months ended 31.12.17 RM'000 (Restated)
Cash flows from operating activities		
Profit before zakat and taxation	389,557	436,117
Adjustments for:		
Non-cash items	495,958	405,068
Interest expense	543,141	491,205
Interest income	(32,659)	(25,815)
Dividend income	(150)	(725)
Share of results in associates and joint ventures	(204,232)	(216,382)
Operating profit before working capital changes	1,191,615	1,089,468
Changes in working capital:		
Net change in inventories	(3,598)	(35,243)
Net change in other current assets	(302,131)	(99,916)
Net change in current liabilities	338,707	335,390
Deferred income	3,566	82
Cash generated from operations	1,228,159	1,289,781
Net tax paid	(70,268)	(154,977)
Zakat paid	(4,614)	(5,913)
Land lease received in advance	23,064	12,736
Retirement benefits paid	(7,340)	(466)
Net cash generated from operating activities	**1,169,001**	**1,141,161**
Cash flows from investing activities		
Net cash inflow from disposal of a joint venture	-	4,100
Purchase of additional shares in a subsidiary from non-controlling interests	(635)	-
Investments in subsidiaries	(23,453)	(16,813)
Investment in joint ventures	-	(180,800)
Purchase of property, plant and equipment	(889,230)	(544,419)
Purchase of intangible assets	(43)	(46,821)
Purchase of investment properties	(73,901)	(5,772)
Proceeds from sale of property, plant and equipment	993	35,945
Proceeds from sale of investment properties	-	27,862
Proceeds from sale of other non-current assets	2,076	1,384
Proceeds from sale of available-for-sale financial assets	-	86,768
Interest received	32,659	25,815
Repayment from/(advances to) joint ventures	28,213	(14,164)
Repayment from associates	382	872
Dividend received from:		
- Associates	162,603	163,819
- Joint Ventures	53,300	49,000
- Others	150	725
Decrease/(increase) in other investments	108,635	(19,767)
Net cash used in investing activities	**(598,251)**	**(432,266)**
Cash flows from financing activities		
Repayment of loans	(1,893,451)	(1,152,894)
Drawdown of loans	2,726,821	900,142
Dividend paid	(121,802)	(121,802)
Dividend paid to non-controlling interests of subsidiaries	(30,902)	(31,203)
Interest paid	(543,141)	(485,811)
Designated account and pledged deposits	2,661	5,776
Redemption of preference shares in a subsidiary	-	(22,810)
Repayment of dividend on preference shares in a subsidiary	(16,674)	-
Net cash generated from/(used in) financing activities	**123,512**	**(908,602)**
Net change in cash and cash equivalents	694,262	(199,707)
Effects of changes in exchange rate	7,925	(33,168)
Cash and cash equivalents at beginning of financial year	558,019	790,894
Cash and cash equivalents at end of financial year	**1,260,206**	**558,019**

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.

Condensed Consolidated Statement of Cash Flows

	12 months ended 31.12.18 RM'000 (Unaudited)	12 months ended 31.12.17 RM'000 (Restated)
Cash and cash equivalents comprise:		
Deposits and bank balances	1,596,417	1,005,525
Less:		
Deposits with maturity more than 90 days	(313,395)	(422,030)
	1,283,022	583,495
Designated accounts	(22,267)	(24,927)
Pledge deposits	(549)	(549)
	1,260,206	**558,019**

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. Comparative figures

a) <u>Adoption of MFRS 15 Revenue</u>

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.

b) <u>Restatement of share of results of associates</u>

During the current quarter ended 31 December 2018, Shuaibah Water and Electricity Company ("SWEC") and Shuaibah Expansion Project Company ("SEPCO"), a 12.0% and 11.9% owned indirect associates of Malakoff Corporation Berhad ("MCB") which in turn is a 37.6% owned associate of the Company, had reassessed their application on certain accounting policies and concluded there had been under recognition of deferred tax liabilities and depreciation of property, plant and equipment in the previous years. As a result, thereof, SWEC and SEPCO have restated their property, plant and equipment, deferred tax liabilities/assets and retained earnings balances in prior years, retrospectively.

The effects are as follows:

Impact on the Group’s statement of comprehensive income for the financial year ended 31 December 2017

	As previously reported	**Adjustments**		**As restated**
		2 (a)	**2 (b)**	
	RM’000	**RM’000**	**RM’000**	**RM’000**
Share of results of associates	139,647	(10,350)	(5,272)	124,025
Movement in associates' capital reserves	5,306	-	(3,598)	1,708

Impact on the Group’s statement of financial position as at 31 December 2017

	As previously reported	**Adjustments**		**As restated**
		2 (a)	**2 (b)**	
	RM’000	**RM’000**	**RM’000**	**RM’000**
Interests in associates	4,516,116	(10,350)	(14,341)	4,491,425
Retained earnings	(7,071,281)	10,350	40,114	(7,020,817)
Cash flow hedge reserves	(4,588)	-	(25,773)	(30,361)

Impact on the Group's statement of financial position as at 1 January 2017

	As previously reported	Adjustments 2 (a)	Adjustments 2 (b)	As restated
	RM'000	RM'000	RM'000	RM'000
Interests in associates	4,558,660	-	(5,471)	4,553,189
Retained earnings	(6,596,133)	-	34,842	(6,561,291)
Cash flow hedge reserves	(31,085)	-	(29,371)	(60,456)

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 31 December 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 31 December 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 31.12.2018						
Revenue						
Total	818	-	-	931	29	1,778
Inter-segment	(13)	-	-	(179)	-	(192)
External	805	-	-	752	29	1,586
Results						
Profit/(loss) before zakat and taxation	130	15	37	122	(108)	196
Finance costs	58	-	-	-	86	144
Depreciation and Amortisation	131	-	-	1	12	144
EBITDA*	319	15	37	123	(10)	484
QTD 31.12.2017						
Revenue						
Total	679	-	-	621	16	1,316
Inter-segment	(5)	-	-	(76)	-	(81)
External	674	-	-	545	16	1,235
Results						
Profit/(loss) before zakat and taxation	113	18	1	102	(59)	175
Finance costs	44	-	-	1	87	132
Depreciation and Amortisation	116	-	-	1	2	119
EBITDA*	273	18	1	104	30	426

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

b) Current Financial Year Ended 31 December 2018 (12 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
FYE 31.12.2018						
Revenue						
Total	3,011	-	-	2,270	96	5,377
Inter-segment	(23)	-	-	(344)	-	(367)
External	2,988	-	-	1,926	96	5,010
Results						
Profit/(loss) before zakat and taxation	416	59	86	295	(466)	390
Finance costs	214	-	-	1	328	543
Depreciation and Amortisation	479	-	-	6	50	535
EBITDA*	1,109	59	86	302	(88)	1,468
FYE 31.12.2017						
Revenue						
Total	2,827	-	-	1,460	78	4,365
Inter-segment	(10)	-	-	(195)	-	(205)
External	2,817	-	-	1,265	78	4,160
Results						
Profit/(loss) before zakat and taxation	479	45	101	194	(383)	436
Finance costs	168	-	-	4	319	491
Depreciation and Amortisation	429	-	-	4	33	466
EBITDA*	1,076	45	101	202	(31)	1,393

*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 December 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 26 November 2018, MMC Corporation Bhd ("MMC") has received confirmation from the Companies Commission of Malaysia on the striking off of MMC Utilities Holdings Sdn Bhd ("MMCUH") and MMC Rail Ventures Sdn Bhd ("MMCRV"), wholly-owned dormant subsidiaries of MMC, from the Register pursuant to Section 550 of the Companies Act, 2016.

The Striking Off did not have any material impact on the earnings, net assets and gearing of the Company for the financial year ended 31 December 2018.

b) On 7 November 2018, the final meeting for the members' voluntary liquidation of MMC Zelan Sdn Bhd ("MMCZ"), a 60%-owned subsidiary of MMC was duly held. In accordance with Section 459(3) and (5) of the Companies Act 2016, MMCZ will be dissolved after the expiration of three (3) months from the date of lodgment of the return by liquidator relating to the final meeting with the Companies Commission of Malaysia and Official Receiver.

The dissolution of MMCZ will not have any operational or material impact on the earnings, net assets and gearing of MMC Group of companies for the financial year ended 31 December 2018.

c) On 6 December 2018, Southern Water Engineering Sdn Bhd ("SWE"), a wholly-owned subsidiary of Aliran Ihsan Resources Berhad ("AIRB"), which in turn is a wholly-owned subsidiary of MMC, had acquired two (2) ordinary shares representing the entire issued and paid-up share capital of SWESB MMCES JV Sdn Bhd ("SMJV") for a cash consideration of RM2. Following the completion of the acquisition, SMJV became a subsidiary of AIRB.

Save as disclosed above, there was no change in the composition of the Group for the current quarter ended 31 December 2018.

13. Changes in contingent liabilities or contingent assets

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

	31.12.18 RM mil	31.12.17 RM mil
Subsidiaries	226.4	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:

	31.12.18	31.12.17
	RM mil	RM mil
Property, plant and equipment:		
Authorised and contracted for	442.1	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 31 December 2018, the Group recorded RM1,585.6 million in revenue, an increase of 28.4% from RM1,234.7 million reported in the corresponding quarter ended 31 December 2017, due to higher work progress from KVMRT-SSP Line as well as effect from consolidation of Penang Port Sdn Bhd's ("PPSB") revenue. These were offset by 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 increased to RM196.4 million compared with RM174.9 million reported in the corresponding quarter ended 31 December 2017, mainly due to the following:

i. full consolidation of PPSB's result;
ii. higher contribution from KVMRT-SSP Line;
iii. no share of losses from Zelan Berhad ("Zelan"); and
iv. higher share of profit from Malakoff attributed to improved contribution at coal plants, lower depreciation, lower maintenance and finance costs coupled with higher contribution from associates investment.

Offset with:

i. no gain on disposal of equity securities;
ii. lower contribution from KVMRT-SBK Line following full completion in July 2017; and
iii. recognition of negative goodwill of RM44.2 million arising from acquisition of 49% equity stake in PPSB in the corresponding quarter ended 31 December 2017.

b) Current financial year compared with the preceding financial year (twelve-months)

For the financial year ended 31 December 2018, the Group recorded RM5,010.2 million in revenue, a 20.4% increase from RM4,160.1 million reported in the preceding financial year due to higher cumulative work progress from KVMRT-SSP Line, consolidation of PPSB’s revenue and higher volume handled at Pelabuhan Tanjung Pelepas (“PTP”). 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 RM389.6 million compared with RM436.1 million reported in the preceding financial year, mainly due to the following:

i. lower contribution from JPB and NMB as explained above;
ii. full completion of KVMRT-SBK Line in July 2017;
iii. no gain on disposal of equity securities; and
iv. no forfeited deposit on land sale transaction at Senai Airport (“SAC”).

These were compensated by higher contribution from KVMRT-SSP Line, no one-off provision for impairment of RM98.0 million on SMART, higher contribution from PTP and full consolidation of PPSB’s result.

Ports & Logistics

The segment recorded revenue of RM2,988.0 million, an increase of 6.1% compared with RM2,816.9 million reported in the preceding financial 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 completed; 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 RM62.4 million to RM416.4 million compared with RM478.8 million reported in the preceding financial year due to lower contribution from JPB and NMB, moderated by higher contribution from PTP, full consolidation of PPSB’s result and higher recognition of negative goodwill arising from acquisition of remaining 51% equity stake at PPSB.

Energy & Utilities

The segment recorded a slight decrease in Profit before zakat and taxation to RM145.2 million compared with RM145.7 million reported in the preceding financial year due to lower share of profit from Malakoff attributable to lower contribution from Segari Energy Venture’s (“SEV”) plant and no settlement received on dispute in the current period, mitigated by lower operation & maintenance costs, lower finance costs and depreciation as well as gain on disposal of Malakoff’s associate, Lekir Bulk Terminal Sdn Bhd (“LBT”). The decrease were compensated by increase of profit from Gas Malaysia Bhd (“GMB”) attributable to higher natural gas tariff and higher volume of natural gas sold.

Engineering

The segment recorded revenue of RM1,926.4 million, an increase of 52.3% compared with RM1,264.8 million reported in the preceding financial year. The increment was mainly due to work progress from KVMRT-SSP Line.

The segment recorded an increase of 52.1% in Profit before zakat and taxation to RM295.2 million from RM194.1 million reported in the preceding financial 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 RM95.7 million, an increase of 22.1 % compared with RM78.4 million reported in the preceding financial year due to higher passenger volume at Senai Airport.

The segment recorded higher Loss before zakat and taxation by RM83.7 million to RM466.3 million compared with RM382.6 million reported in the preceding financial year mainly due to higher finance costs incurred, no forfeited deposit on land sale transaction at SAC and no gain on disposal of equity securities.

17. Variation of results against immediate preceding quarter

The Group recorded higher Profit before zakat and taxation of RM196.4 million in the current quarter compared with RM88.8 million in the immediate preceding quarter mainly attributed to work progress from KVMRT-SSP Line.

18. Current prospects

Ports & Logistics division is expected to record positive volume growth across all the ports. Further, the completion of acquisition of the balance 51% interest in Penang Port Sdn Bhd in May 2018 will reflect its full year contribution to the division's financial performance. 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 and elevated work. Furthermore, the earnings contribution from Engineering division will be sustained by on-going projects including Langat 2 Water Treatment Plant and Langat Centralized Sewerage Treatment Project.

19. Profit before zakat and taxation

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

	3 months ended 31.12.18 RM mil	3 months ended 31.12.17 RM mil	Cumulative 12 months ended 31.12.18 RM mil	Cumulative 12 months ended 31.12.17 RM mil
Interest income	(11.0)	(7.0)	(32.7)	(25.8)
Depreciation	140.5	109.1	519.2	432.8
Amortisation	3.3	9.7	15.9	33.1
(Gain)/Loss on disposal of:				
- property, plant and equipment	(10.0)	(5.4)	2.2	10.8
- non-curent-asset-held-for-sale	(0.7)	-	(1.4)	-
- other investment	-	(65.7)	-	(65.7)
Remeasurement gain of interest in an associate	-	-	(15.2)	-
Negative goodwill	-	(44.2)	(51.7)	(44.2)

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 31.12.18 RM mil	3 months ended 31.12.17 RM mil	Cumulative 12 months ended 31.12.18 RM mil	Cumulative 12 months ended 31.12.17 RM mil
Current tax expense				
- current	(14)	(8)	(30)	(81)
- prior years	15	(45)	13	(37)
Deferred tax expense				
- current	(63)	(32)	(101)	(60)
	(62)	(85)	(118)	(178)

The Group’s effective tax rate for the year ended 31 December 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:

	31.12.18	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	(24.5)	8.6
At 31.12.18/31.12.17	11.7	3.1
Less: Non-current portion	(3.4)	(3.1)
Current portion	8.3	-

24. Borrowings

	31.12.18 RM mil	31.12.17 RM mil
Current		
- secured	1,257	620
- unsecured	1,230	730
	2,487	1,350
Non-current		
- secured	3,877	4,781
- unsecured	4,319	2,694
	8,196	7,475
Total borrowings	10,683	8,825

All borrowings of the Group are denominated in Ringgit Malaysia.

The Group is currently in the process of refinancing a term loan amounting to RM1.0 billion via a Sukuk program. Management is of the opinion that the term loan will be refinanced on time.

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 which is fixed on 8, 9, 10, 11 July 2019.

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.
The Court fixed the matter for trial on 28, 29 and 30 May 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.

On 5 December 2018, MGJV filed an Originating Summons at the Kuala Lumpur High Court to seek declarations that, among others, the Notice is invalidly issued and Emrail is not entitled to commence arbitration proceedings against MGJV.

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

A decision on the declaration of the final dividend for the financial year ended 31 December 2018 has yet to be made.

27. Earnings per ordinary share

Basic Earnings Per Ordinary Share

	3 months ended 31.12.18	3 months ended 31.12.17	Cumulative 12 months ended 31.12.18	Cumulative 12 months ended 31.12.17
Profit for the financial year attributable to owners of the Parent (RM mil)	119.7	74.9	220.1	209.8
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)	3.9	2.5	7.2	6.9

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 February 2019.

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 February 2019