

2019年度第2四半期（2018年10月～2018年12月）決算短信

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 株式銘柄コード (1773)
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所属部 東証1部（外国）

決算期 本決算：年1回（6月） 中間決算：四半期ごと

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 アンダーソン・毛利・友常法律事務所
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四半期報告書 2019年3月27日
 提出予定日

1. 本国における決算発表日 2019年2月27日（水曜日）

2. 業績

	第2四半期（10月から12月までの3ヶ月）（連結）		
	当年度（未監査）	前年度（未監査）	増減率
売上高または営業収入	4,554,615千リンギット	3,892,459千リンギット	17.01%
純利益（税引後）	157,495千リンギット	296,588千リンギット	-46.90%
一株当たり利益	0.42セン	1.21セン	-65.29%

	今期累積額（7月から12月までの6ヶ月）（連結）		
	当年度（未監査）	前年度（未監査）	増減率
売上高または営業収入	8,643,138千リンギット	7,812,417千リンギット	10.63%
純利益（税引後）	421,930千リンギット	604,693千リンギット	-30.22%
一株当たり利益	1.61セン	2.56セン	-37.11%

配当金の推移			
	当年度	前年度	備考
第1四半期	0セン	0セン	
第2四半期	0セン	0セン	
第3四半期		0セン	
第4四半期		4.0セン	
合計	0セン	4.0セン	

3. 概況・特記事項・その他

- (1) 純利益（税引後）は法人税考慮後・少数株式持分損益考慮前利益に基づき算出されている。
- (2) 上記1株当たり利益は基本的利益である。希薄化後1株当たり利益は、当期が0.42セン、前年同期が1.21センであった。今期累積額については、当期が1.61セン、前年同期が2.56センであった。これらの1株当たり利益は法人税考慮後・少数株主持分考慮後利益に基づき算出している。
- (3) 売上高または営業収入および純利益（税引後）の数値は百の位を四捨五入している。
- (4) 本国における会計基準の変更に伴い、前年度の数値を修正再表示している。変更の詳細は添付資料10頁「A1会計方針および算定方法」を参照されたい。

YTL CORPORATION BERHAD
Company No. 92647-H
Incorporated in Malaysia

Interim Financial Report
31 December 2018

YTL CORPORATION BERHAD
Company No. 92647-H
Incorporated in Malaysia

Interim Financial Report
31 December 2018

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YTL CORPORATION BERHAD (Company No. 92647-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial year ended 31 December 2018.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter 31.12.2017 RM'000 (Restated)	6 Months Ended	
			31.12.2018 RM'000	31.12.2017 RM'000 (Restated)
Revenue	4,554,615	3,892,459	8,643,138	7,812,417
Cost of sales	(3,526,255)	(2,869,907)	(6,580,423)	(5,650,561)
Gross profit	1,028,360	1,022,552	2,062,715	2,161,856
Other operating income	51,214	89,994	113,101	146,938
Other operating expenses	(543,938)	(416,099)	(961,267)	(847,634)
Profit from operations	535,636	696,447	1,214,549	1,461,160
Finance costs	(431,584)	(401,918)	(860,316)	(821,837)
Share of results of associated companies and joint ventures	120,182	103,671	211,946	197,811
Profit before taxation	224,234	398,200	566,179	837,134
Taxation	(66,739)	(101,612)	(144,249)	(232,441)
Profit for the period	157,495	296,588	421,930	604,693
Attributable to:-				
Owners of the parent	44,820	127,448	170,610	269,309
Non-controlling interests	112,675	169,140	251,320	335,384
Profit for the period	157,495	296,588	421,930	604,693
Earnings per share				
Basic (Sen)	0.42	1.21	1.61	2.56
Diluted (Sen)	0.42	1.21	1.61	2.56

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

YTL CORPORATION BERHAD (Company No. 92647-H)
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INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter 31.12.2017 RM'000 (Restated)	6 Months Ended	
			31.12.2018 RM'000	31.12.2017 RM'000 (Restated)
Profit for the period	157,495	296,588	421,930	604,693
Other comprehensive (loss)/income :-				
<i>Items that may be reclassified subsequently to income statement:-</i>				
Available-for-sale financial assets	(1,306)	(756)	(2,055)	(92)
Cash flow hedges	(598,362)	77,020	(567,720)	188,346
Foreign currency translation	(187,310)	(699,551)	248,434	(686,481)
Other comprehensive loss for the period, net of tax	(786,978)	(623,287)	(321,341)	(498,227)
Total comprehensive (loss)/income for the period	(629,483)	(326,699)	100,589	106,466
Attributable to :-				
Owner of the parent	(371,446)	(172,136)	(4,639)	57,337
Non-controlling interests	(258,037)	(154,563)	105,228	49,129
Total comprehensive (loss)/income for the period	(629,483)	(326,699)	100,589	106,466

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statement.

YTL CORPORATION BERHAD (Company No. 92647-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited	Restated	Restated
	As at	As at	As at
	31.12.2018	30.06.2018	01.07.2017
	RM'000	RM'000	RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	28,113,735	28,085,524	28,516,788
Investment properties	10,188,061	10,003,889	10,517,010
Investment in associated companies and joint ventures	2,837,638	2,427,239	2,482,655
Investments	458,197	1,136,775	845,165
Development expenditure	1,205,878	1,161,417	1,060,293
Intangible assets	6,160,746	5,975,875	6,353,214
Biological assets	1,798	1,798	1,798
Other receivables and other non-current assets	1,010,923	977,026	1,014,915
Derivative financial instruments	4,160	49,860	13,629
	<u>49,981,136</u>	<u>49,819,403</u>	<u>50,805,467</u>
Current Assets			
Inventories	2,833,600	2,843,458	827,617
Property development costs	426,038	366,204	2,491,966
Trade, other receivables and other current assets	3,449,764	3,757,780	3,818,051
Derivative financial instruments	38,541	198,405	52,124
Income tax assets	107,834	128,091	80,116
Investments	2,487,689	2,650,117	3,241,812
Amount due from related parties	27,906	36,254	87,497
Fixed deposits	10,055,074	10,619,683	12,145,557
Cash and bank balances	961,861	1,014,971	1,174,691
	<u>20,388,307</u>	<u>21,614,963</u>	<u>23,919,431</u>
TOTAL ASSETS	<u><u>70,369,443</u></u>	<u><u>71,434,366</u></u>	<u><u>74,724,898</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

YTL CORPORATION BERHAD (Company No. 92647-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	Unaudited As at 31.12.2018 RM'000	Restated As at 30.06.2018 RM'000	Restated As at 01.07.2017 RM'000
EQUITY			
Share capital	3,340,111	3,340,111	3,340,111
Other reserves	835,713	1,009,646	1,523,559
Retained profits	9,762,976	10,124,436	10,628,613
Less : Treasury shares, at cost	(472,792)	(337,142)	(596,577)
Equity Attributable to Owners of the Parent	<u>13,466,008</u>	<u>14,137,051</u>	<u>14,895,706</u>
Non-Controlling Interests	7,226,421	7,540,251	8,062,383
TOTAL EQUITY	<u>20,692,429</u>	<u>21,677,302</u>	<u>22,958,089</u>
LIABILITIES			
Non-current liabilities			
Long term payables and other non-current liabilities	911,478	908,127	932,394
Bonds & borrowings	36,357,398	35,548,306	34,132,823
Grants and contributions	567,298	548,493	547,775
Deferred tax liabilities	2,065,680	2,073,937	2,078,502
Post-employment benefit obligations	692,356	685,509	1,115,512
Provision for liabilities and charges	7,077	7,077	7,077
Derivative financial instruments	132,312	34,308	44,008
	<u>40,733,599</u>	<u>39,805,757</u>	<u>38,858,091</u>
Current Liabilities			
Trade, other payables and other current liabilities	3,074,997	3,313,840	3,376,223
Derivative financial instruments	262,403	19,817	128,772
Amount due to related parties	11,654	9,105	8,486
Bonds & borrowings	5,239,838	6,238,206	8,996,806
Income tax liabilities	167,123	186,403	210,474
Provision for liabilities and charges	187,400	183,936	187,957
	<u>8,943,415</u>	<u>9,951,307</u>	<u>12,908,718</u>
TOTAL LIABILITIES	<u>49,677,014</u>	<u>49,757,064</u>	<u>51,766,809</u>
TOTAL EQUITY AND LIABILITIES	<u>70,369,443</u>	<u>71,434,366</u>	<u>74,724,898</u>
Net Assets per share (RM)	<u>1.27</u>	<u>1.32</u>	<u>1.41</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

Group	Attributable to Owners of the Parent						Non-Controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Retained profits RM'000	Treasury shares RM'000	Other reserves RM'000	Total RM'000	Controlling interests RM'000		
At 1 July 2018 (as previously reported)	3,340,111	10,123,292	(337,142)	1,009,646	14,135,907	7,540,331	21,676,238	
Effect of first-time MFRS adoption		1,144			1,144	(80)	1,064	
At 1 July 2018 (restated)	3,340,111	10,124,436	(337,142)	1,009,646	14,137,051	7,540,251	21,677,302	
Profit for the period	-	170,610	-	-	170,610	251,320	421,930	
Other comprehensive loss	-	-	-	(175,249)	(175,249)	(146,092)	(321,341)	
Total comprehensive income/(loss) for the period	-	170,610	-	(175,249)	(4,639)	105,228	100,589	
Changes in composition of the Group								
Dividend paid	-	(109,496)	-	-	(109,496)	(87,871)	(197,367)	
Purchase of treasury shares	-	(422,748)	-	-	(422,748)	(331,187)	(753,935)	
Share options exercise	-	-	(135,650)	-	(135,650)	-	(135,650)	
Share option lapsed by subsidiary	-	-	-	2,731	2,731	-	2,731	
	-	174	-	(1,415)	(1,241)	-	(1,241)	
At 31 December 2018	3,340,111	9,762,976	(472,792)	835,713	13,466,008	7,226,421	20,692,429	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

YTL CORPORATION BERHAD (Company No. 92647-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

Group	Share capital		Attributable to Owners of the Parent				Non-controlling interests		Total equity
	RM'000	RM'000	Retained profits	Treasury shares	Other reserves	Total	Controlling interests	RM'000	
At 1 July 2017 (as previously reported)	3,340,111	-	10,606,817	(596,577)	1,523,559	14,873,910	8,051,734	22,925,644	
Effect of first-time MFRS adoption	-	21,796	-	-	-	21,796	10,649	32,445	
At 1 July 2017 (restated)	3,340,111	10,628,613	10,628,613	(596,577)	1,523,559	14,895,706	8,062,383	22,958,089	
Profit for the year	-	269,309	269,309	-	-	269,309	335,384	604,693	
Other comprehensive loss	-	-	-	-	(211,972)	(211,972)	(286,255)	(498,227)	
Total comprehensive income/(loss) for the year	-	269,309	269,309	-	(211,972)	57,337	49,129	106,466	
Changes in composition of the Group	-	(141,633)	(141,633)	-	-	(141,633)	137,158	(4,475)	
Dividend paid	-	(526,761)	(526,761)	-	-	(526,761)	(408,727)	(935,488)	
Purchase of treasury shares	-	-	-	(1)	-	(1)	-	(1)	
Share dividend	-	(334,881)	(334,881)	334,881	-	-	-	-	
Share option lapsed by subsidiary	-	216	216	-	(116)	100	-	100	
At 31 December 2017	3,340,111	9,894,863	9,894,863	(261,697)	1,311,471	14,284,748	7,839,943	22,124,691	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

YTL CORPORATION BERHAD (Company No. 92647-H)
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INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

	6 Months Ended	
	31.12.2018	31.12.2017
	RM'000	RM'000 (Restated)
Cash flows from operating activities		
Profit before tax	566,179	837,134
Adjustment for :-		
Adjustment on fair value of investment properties	(12,035)	-
Amortisation of contract costs	7,549	17,694
Amortisation of deferred income	(719)	(4,527)
Amortisation of grants and contributions	(10,875)	(11,479)
Amortisation of other intangible assets	3,534	3,770
Depreciation	824,517	760,140
Dividend income	(24,122)	(4,253)
Fair value changes of derivatives	11,374	(6,988)
Fair value changes of investments	(25,709)	(4,006)
Gain on disposal of investment properties	(3,792)	-
Gain on disposal of property, plant and equipment	(4,567)	(14,526)
Impairment losses	101,366	41,055
Interest expense	860,316	821,837
Interest income	(154,177)	(146,910)
Property, plant and equipment written off	3,422	21,649
Provision for post-employment benefit	25,620	33,829
Provision for liabilities and charges	906	641
Share of results of associated companies and joint ventures	(211,946)	(197,811)
Unrealised gain on foreign exchange	(34,404)	(41,971)
Other non cash items	5,231	(1,257)
Operating profit before changes in working capital	1,927,668	2,104,021

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - continued

	6 Months Ended	
	31.12.2018	31.12.2017
	RM'000	RM'000
		(Restated)
Changes in working capital:-		
Inventories	43,219	14,673
Property development costs	(51,879)	(41,045)
Receivables, deposits and prepayments	186,220	(493,895)
Payables and accrued expenses	(277,016)	41,464
Related parties balances	10,897	14,015
Cash generated from operations	1,839,109	1,639,233
Dividend received	208,252	210,134
Interest paid	(855,788)	(744,335)
Interest received	158,043	149,779
Payment to a retirement benefits scheme	(25,064)	(23,401)
Income tax paid	(147,736)	(187,792)
Net cash from operating activities	1,176,816	1,043,618
Cash flows from investing activities		
Acquisition of subsidiaries	(16)	(19,600)
Acquisition of associated companies	(371,410)	(442)
Development expenditure incurred	(27,535)	(41,067)
Grants received in respect of infrastructure assets	31,407	42,812
Maturities of income funds	1,125,382	175,304
Proceeds from disposal of investment properties	13,891	-
Proceeds from disposal of property, plant & equipment	208,508	17,803
Purchase of investment properties	(228,978)	(37,816)
Purchase of property, plant & equipment	(898,956)	(891,042)
Purchase of intangible assets	(141)	(2,103)
Purchase of investments	(193,238)	(70,528)
Shareholder loans	(18,576)	(18,954)
Net cash used in investing activities	(359,662)	(845,633)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

YTL CORPORATION BERHAD (Company No. 92647-H)
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INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - continued

	6 Months Ended	
	31.12.2018	31.12.2017
	RM'000	RM'000 (Restated)
Cash flows from financing activities		
Dividend paid	(422,748)	(526,761)
Dividend paid to non-controlling interests by subsidiaries	(331,187)	(408,727)
Repurchase of own shares by the company (at net)	(135,650)	(1)
Repurchase of subsidiaries' shares by subsidiaries	(198,625)	(1)
Proceeds from borrowings	2,678,843	8,423,324
Proceeds from issue of shares in subsidiaries to non-controlling interests	-	14,905
Repayment of borrowings	(3,146,933)	(8,571,206)
Net cash (used in)/from financing activities	<u>(1,556,300)</u>	<u>(1,068,467)</u>
Net changes in cash and cash equivalents	(739,146)	(870,482)
Effects of exchange rate changes	129,676	(314,170)
Cash and cash equivalents at beginning of the financial year	<u>11,601,643</u>	<u>13,316,838</u>
Cash and cash equivalents at end of the financial year	<u><u>10,992,173</u></u>	<u><u>12,132,186</u></u>
Cash and cash equivalent comprise :-		
Fixed deposit with licensed bank	10,055,074	11,320,730
Cash and bank balances	961,861	819,891
Bank overdraft	(24,762)	(8,435)
	<u><u>10,992,173</u></u>	<u><u>12,132,186</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

**YTL CORPORATION BERHAD (Company No. 92647-H)
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INTERIM FINANCIAL REPORT

Notes:-

Disclosure requirements pursuant to FRS 134 – paragraph 16

The Condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2018.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and Chapter 9, part K paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

Since the previous annual audited financial statements as at 30 June 2018 were issued, the Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”). This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. The effects on the adoption of MFRS framework are described as below.

The interim financial report of the Group for the current quarter ended 31 December 2018 is the first interim financial report prepared in accordance with MFRS Framework, including MFRS 1 “First-time Adoption of MFRS”. Subject to certain transition elections and effects of adoption of MFRS 9 “Financial Instruments” and MFRS 15 “Revenue from contracts with customers” as disclosed below, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 July 2017, being the transition date, and throughout all periods presented, as if these policies had always been in effect.

The effects on the adoption of MFRS framework are as follows:

MFRS 9 : Financial Instruments (“MFRS 9”)

MFRS 9 replaces MFRS 139 “Financial Instruments: Recognition and Measurement”. The adoption of MFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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INTERIM FINANCIAL REPORT

Notes: - continued

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than in the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has assessed the impact of the adoption of MFRS 9 and concluded that the adoption does not have any significant impact to the financial performance or position of the Group.

MFRS 15 : Revenue from Contracts with Customers (“MFRS 15”)

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 supersedes the revenue recognition guidance including MFRS 118 : Revenue, MFRS 111 : Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer in substance obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the level of completion in proportion of cost incurred to date against the expected total construction costs.

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INTERIM FINANCIAL REPORT

Notes: - continued

The Group adopts the new standards on the required effective date using the full retrospective method. The affected areas upon the application of the new standards are as follow:

(a) Utilities segment

(i) Accounting for sale of device as part of bundled telecommunication service package

MFRS 15 requires devices which the Group promises to transfer as part of a bundled package with mobile telecommunication services to be considered distinct and thus accounted for as a separate performance obligation.

As a result, total consideration received from such a package are allocated to the service and device based on relative stand-alone selling prices. This results in an allocation and early recognition of a portion of telecommunication service revenue as device revenue, an earlier recognition of device subsidy expenses which was capitalised as intangible asset previously and subsequently, a reduction in service revenue throughout the contract period. The recognition of higher device revenue upfront also resulted in recognition of what is known as a contract asset (a receivable arising from the customer contract that has not yet legally come into existence) in the statement of financial position.

(ii) Incremental costs of obtaining a contract

Under MFRS 15, the Group capitalises sales commissions and device costs (for those devices which is bundled with fixed line telecommunication service and not distinct performance obligation) as costs of obtaining a contract with a customer when they are incremental and expected to be recovered. These costs will then be amortised consistently with the transfer of the good or service to the customer.

(b) Property segment

(i) Multiple promises from the sale of development properties

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. Currently, the Group account for the bundled sales as one deliverable and recognises revenue over time. Under MFRS 15, revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. The sale of development properties and the multiple promises are separate deliverables of bundled sales. The transaction price will be allocated to each performance obligation based on the standalone selling prices. If these are not directly observable, they are estimated based on expected cost-plus margin.

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.

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(ii) Cost incurred in fulfilling a contract

Under the current standards, the Group expensed off sales commissions and legal fees of sales and purchase agreement ("SPA") as these costs do not qualify for recognition as an asset under any of the other accounting standards. However, the sales commissions and legal fees of SPA relate directly to contracts and are expected to be recovered through future fees for the services to be provided. Accordingly, under MFRS 15, these costs will be eligible for capitalisation and recognised as property development costs and contract sales respectively.

(iii) Recognition of provision for foreseeable losses for low cost housing

Under the current standards, the Group recognised upfront the provision for foreseeable losses for anticipated losses to be incurred on the development of involuntary low-cost housing as required by approving authorities. The application of the above is in accordance to FRSIC Consensus 17 : Development of Affordable Housing ("FRSIC 17") issued by Malaysia Institute of Accountants ("MIA").

MFRS 15 requires the accounting to be done on a contract basis. Pursuant to the clarification on the use to FRSIC 17 on 7 March 2018, it stated that FRSIC 17 is no longer relevant upon the adoption of MFRS framework. Pending further clarification from MIA, the Group is of the view that the recognition of foreseeable losses is still required due to existence of contractual obligation to build low cost housing.

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Notes: - continued

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS are disclosed in the following tables:

(i) Condensed Consolidated Income Statement

	Individual Quarter 31.12.2017			Cumulative Quarter 31.12.2017		
	As previously reported RM'000	Adoption of MFRS RM'000	Restated RM'000	As previously reported RM'000	Adoption of MFRS RM'000	Restated RM'000
Revenue	3,899,196	(6,737)	3,892,459	7,829,058	(16,641)	7,812,417
Cost of sales	(2,876,326)	6,419	(2,869,907)	(5,663,352)	12,791	(5,650,561)
Gross profit	1,022,870	(318)	1,022,552	2,165,706	(3,850)	2,161,856
Other operating income	90,296	(302)	89,994	147,606	(668)	146,938
Other operating expenses	(419,312)	3,213	(416,099)	(853,425)	5,791	(847,634)
Profit from operations	693,854	2,593	696,447	1,459,887	1,273	1,461,160
Finance costs	(401,918)	-	(401,918)	(821,837)	-	(821,837)
Share of results of associated companies and joint ventures	103,667	4	103,671	197,641	170	197,811
Profit before taxation	395,603	2,597	398,200	835,691	1,443	837,134
Taxation	(100,684)	(928)	(101,612)	(231,216)	(1,225)	(232,441)
Profit for the period	294,919	1,669	296,588	604,475	218	604,693
Attributable to:-						
Owners of the parent	126,093	1,355	127,448	268,990	319	269,309
Non-controlling interests	168,826	314	169,140	335,485	(101)	335,384
Profit for the period	294,919	1,669	296,588	604,475	218	604,693
Earnings per share						
Basic (Sen)	1.20	0.01	1.21	2.55	0.00	2.56
Diluted (Sen)	1.20	0.01	1.21	2.55	0.00	2.56

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	(ii) Condensed Consolidated Statement of Comprehensive Income					
	Individual Quarter 31.12.2017		Cumulative Quarter 31.12.2017			
	As previously reported RM'000	Adoption of MFRS RM'000	Restated RM'000	As previously reported RM'000	Adoption of MFRS RM'000	Restated RM'000
Profit for the period	294,919	1,669	296,588	604,475	218	604,693
Other comprehensive (loss)/income :-						
<i>Items that may be reclassified subsequently to income statement:-</i>						
Available-for-sale financial assets	(756)	-	(756)	(92)	-	(92)
Cash flow hedges	77,020	-	77,020	188,346	-	188,346
Foreign currency translation	(699,551)	-	(699,551)	(686,481)	-	(686,481)
Other comprehensive loss for the period, net of tax	(623,287)	-	(623,287)	(498,227)	-	(498,227)
Total comprehensive (loss)/income for the period	(328,368)	1,669	(326,699)	106,248	218	106,466
Attributable to :-						
Owner of the parent	(173,491)	1,355	(172,136)	57,018	319	57,337
Non-controlling interests	(154,877)	314	(154,563)	49,230	(101)	49,129
Total comprehensive (loss)/income for the period	(328,368)	1,669	(326,699)	106,248	218	106,466

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Notes: - continued

(iii) Condensed Consolidated Statement of Financial Position

	Audited as at 30.06.2018 RM'000	Adoption of MFRS RM'000	Restated as at 30.06.2018 RM'000	Audited as at 01.07.2017 RM'000	Adoption of MFRS RM'000	Restated as at 01.07.2017 RM'000
Non-current Assets						
Investment in associated companies and joint ventures	2,427,161	78	2,427,239	2,480,383	2,272	2,482,655
Intangible assets	5,986,886	(11,011)	5,975,875	6,386,034	(32,820)	6,353,214
Other receivables and other non-current assets	967,866	9,160	977,026	988,439	26,476	1,014,915
Current Assets						
Inventories	2,838,059	5,399	2,843,458	799,825	27,792	827,617
Property development costs	367,032	(828)	366,204	2,475,214	16,752	2,491,966
Trade, other receivables and other current assets	3,756,329	1,451	3,757,780	3,816,195	1,856	3,818,051
EQUITY						
Retained profits	10,123,292	1,144	10,124,436	10,606,817	21,796	10,628,613
Non-Controlling Interests	7,540,331	(80)	7,540,251	8,051,734	10,649	8,062,383
Non-current liabilities						
Deferred tax liabilities	2,073,201	736	2,073,937	2,068,379	10,123	2,078,502
Current Liabilities						
Trade, other payables and other current liabilities	3,311,391	2,449	3,313,840	3,376,463	(240)	3,376,223

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Notes: - continued

A2. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A3. Disaggregation of revenue

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter 31.12.2017 RM'000 (Restated)	6 Months Ended	
			31.12.2018 RM'000	31.12.2017 RM'000 (Restated)
Sale of electricity	1,637,249	1,439,686	3,215,680	2,786,857
Sale of clean water, treatment and disposal of waste water	873,632	858,822	1,720,915	1,716,484
Sale of goods	721,079	781,790	1,434,987	1,496,586
Hotel operations	299,211	291,138	577,887	563,612
Broadband and telecommunications revenue	208,891	187,327	401,303	378,595
Rental income	165,447	164,025	342,315	332,236
Rendering of services	62,880	37,282	102,438	62,172
Property development projects	71,272	7,028	96,826	68,866
Sale of land held for property development	930	-	9,050	133,875
Sale of steam	57,274	46,645	109,769	93,649
Construction contracts revenue	387,333	28,526	493,933	61,180
Interest income	59,413	46,754	113,917	114,052
Dividend income	10,004	3,436	24,118	4,253
	<u>4,554,615</u>	<u>3,892,459</u>	<u>8,643,138</u>	<u>7,812,417</u>

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Notes: - continued

A4. Exceptional or Unusual Items

During the current financial quarter, there was no item of an exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A5. Changes in estimates of amounts reported

There was no significant change in estimates of amounts reported in prior interim periods or prior financial years.

A6. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities except for the following:-

During the current financial quarter and period to date, the Company repurchased 109,029,600 ordinary shares of its issued share capital from the open market, at an average of RM1.24 per share. The total consideration paid for the share buy-back, including transaction costs amounted to RM135,650,317 and was financed by internally generated funds. The shares purchased are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016.

As at 31 December 2018, the number of treasury shares held was 341,861,418 ordinary shares.

A7. Dividend paid

The following dividend payment was made during the financial period ended 31 December 2018:

	RM'000
In respect of the financial year ended 30 June 2018:-	
An interim single tier dividend of 4 sen per ordinary share paid on 13 November 2018	<u>422,748</u>

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INTERIM FINANCIAL REPORT

Notes: - continued

A8. Segment Information

Inter-segment pricing is determined based on a negotiated basis.

The Group's segmental result for the financial period ended 31 December 2018 is as follows:-

	Construction RM'000	Information technology & e-commerce related business RM'000	Cement Manufacturing & trading RM'000	Property investment & development RM'000	Management services & others RM'000	Hotels RM'000	Utilities RM'000	Elimination RM'000	Total RM'000
External revenue	493,933	2,612	1,326,918	433,262	240,489	596,072	5,549,852	-	8,643,138
Inter-segment revenue	82,557	40,401	1,815	121,001	136,150	8,274	-	(390,198)	-
Total revenue	576,490	43,013	1,328,733	554,263	376,639	604,346	5,549,852	(390,198)	8,643,138
Segment results									
Profit from operations	18,359	2,862	110,601	286,690	313,245	19,085	463,707	-	1,214,549
Finance costs									(860,316)
Share of profit of associated companies & joint ventures									354,233
Profit before taxation									211,946
									566,179

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Notes: - continued

A8. Segment Information - continued

Inter-segment pricing is determined based on a negotiated basis.

The Group's segmental result for the financial period ended 31 December 2017 (Restated) is as follows:-

	Construction RM'000	Information technology & e-commerce related business RM'000	Cement Manufacturing & trading RM'000	Property investment & development RM'000	Management services & others RM'000	Hotels RM'000	Utilities RM'000	Elimination RM'000	Total RM'000
External revenue	61,180	3,049	1,370,286	543,101	209,710	550,755	5,074,336	-	7,812,417
Inter-segment revenue	74,967	39,759	5,174	115,164	170,944	7,099	-	(413,107)	-
Total revenue	136,147	42,808	1,375,460	658,265	380,654	557,854	5,074,336	(413,107)	7,812,417
Segment results									
Profit from operations	11,934	2,475	169,312	421,250	241,498	10,993	603,698	-	1,461,160
Finance costs									(821,837)
Share of profit of associated companies & joint ventures									639,323
Profit before taxation									197,811
									837,134

INTERIM FINANCIAL REPORT

Notes: - continued

A9. Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the current financial period ended 31 December 2018, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations except for the following-

- On 6 July 2018, the Company announced that Linan Lu Hong Transport Co., Ltd (“Linan Lu Hong”), an indirect subsidiary of YTL Cement Berhad (“YTL Cement”), which in turn is a subsidiary of the Company, has been placed under member’s voluntary winding-up pursuant to Article 180(2) of the Company Law of the People’s Republic of China. Linan Lu Hong has ceased its business operations since May 2016. The member’s voluntary winding-up was completed and the Administration for Industries and Commerce of the People’s Republic of China has on 13 November 2018 issued its approval for deregistration of Linan Lu Hong. Linan Lu Hong has ceased to be an indirect subsidiary of the Company.
- On 10 September 2018, Hangzhou Dama Kai Tong Environmental Technology Co., Ltd (“Hangzhou Dama Kai Tong”), an indirect subsidiary of YTL Cement, has been dissolved following its deregistration under Article 179 of the Company Law of the People’s in Republic of China. Accordingly, Hangzhou Dama Kai Tong has ceased to be an indirect subsidiary of the Company.
- On 6 December 2018, YTL Hotels & Properties Sdn Bhd (“YTLHP”), a wholly-owned subsidiary of the Company, incorporated a wholly-owned subsidiary known as Starhill Hotel (Perth) Sdn Bhd (“SHP”) with an issued share capital of RM1.00 comprising 1 ordinary share. SHP will be principally engaged in investment holding activities.
- On 12 December 2018, SHP incorporated the following wholly-owned subsidiaries in Western Australia, each with issued share capital of AUD\$1.00 comprising of 1 ordinary share:-

<u>Name of Company</u>	<u>Principal Activities</u>
Starhill Operator (Perth) Pty Ltd	Hotel operator
Starhill Hotel (Perth) Pty Ltd	Trustee company
Starhill Retail (Perth) Pty Ltd	Trustee company
Starhill Office (Perth) Pty Ltd	Trustee company

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INTERIM FINANCIAL REPORT

Notes: - continued

A10. Changes in Contingent Liabilities or Contingent Assets

There were no significant changes in the contingent liabilities of the Group since the last financial year ended 30 June 2018.

A11. Subsequent Events

Save for the following, there were no items, transactions or events of a material or unusual in nature during the period from the end of the quarter under review to the date of this report.

- YTL Jawa Power Services B.V. (“YTLJPS”), an indirect wholly-owned subsidiary of YTL Power Internation Berhad (“YTL Power”) has been deregistered from the Netherlands Chamber of Commerce Business Register as from 1 February 2019 followings its merger with YTL Jawa O & M Holdings B.V., an indirect wholly-owned subsidiary of YTL Power, in accordance with Title 7, Book 2 of the Dutch Civil Code. YTLJPS has then ceased to be an indirect wholly-owned subsidiary of YTL Power and the Company.

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Disclosure requirements per Part A of Appendix 9B of the Bursa Securities Main Market Listing Requirements

B1. Review of Performance

	Individual Quarter		Variance		Cumulative Quarter		Variance	
	31.12.2018	31.12.2017	%	+/-	31.12.2018	31.12.2017	%	+/-
	RM'000	RM'000			RM'000	RM'000		
Revenue								
Construction	387,332	28,526	1258%		493,933	61,180	707%	
Information technology & e-commerce related business	1,524	1,550	-2%		2,612	3,049	-14%	
Cement Manufacturing & trading	665,185	732,542	-9%		1,326,918	1,370,286	-3%	
Property investment & development	235,089	175,677	34%		433,262	543,101	-20%	
Management services & others	128,242	95,909	34%		240,489	209,710	15%	
Hotels	307,143	285,396	8%		596,072	550,755	8%	
Utilities	2,830,100	2,572,859	10%		5,549,852	5,074,336	9%	
	<u>4,554,615</u>	<u>3,892,459</u>			<u>8,643,138</u>	<u>7,812,417</u>		
Profit before taxation								
Construction	17,747	11,467	55%		18,346	11,930	54%	
Information technology & e-commerce related business	1,579	1,296	22%		2,862	2,475	16%	
Cement Manufacturing & trading	46,189	95,776	-52%		89,688	140,267	-36%	
Property investment & development	60,320	98,781	-39%		146,278	287,763	-49%	
Management services & others	(7,024)	(58,269)	88%		(12,621)	(81,929)	85%	
Hotels	1,974	6,532	70%		9,056	5,192	-74%	
Utilities	103,449	242,617	-57%		312,570	471,436	-34%	
	<u>224,234</u>	<u>398,200</u>			<u>566,179</u>	<u>837,134</u>		

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For the current financial quarter under review, the Group revenue was RM4,554.6 million as compared to RM3,892.5 million, recorded in the preceding year corresponding quarter. The Group recorded a profit before tax of RM224.2 million for the current financial quarter. This represents an decrease of RM174.0 million or 43.7% as compared to a profit of RM398.2 million recorded in the preceding year corresponding quarter.

For the six months under review, the Group revenue was at RM8,643.1 million as compared to RM7,812.4 million, recorded in the preceding financial year ended 31 December 2017. The Group recorded a profit before taxation of RM566.2 million for the current financial period. This represents a decrease of RM271.0 million or 32.4% as compared to a profit of RM837.1 million recorded in the preceding year corresponding period.

Performance of the respective operating business segments for the financial quarter/period ended 31 December 2018 as compared to the preceding year corresponding financial quarter/period are analysed as follows:

Construction

The increase in revenue and profit before tax was principally due to significant increase in construction works which has resulted in an increase in profit before tax.

Information technology & e-commerce related business

Revenue decreased marginally whilst the increase in profit before tax was mainly due to higher interest income earned on cash deposits and lower administration expenses incurred.

Cement Manufacturing & trading

The decrease in revenue and profit before tax was mainly attributable to lower sales volume from all divisions and absence of gain on disposal of land following the acquisition by Pentadbir Tanah Kuala Lumpur for the Mass Rapid Transit project.

Property investment & development

The increase in revenue was mainly contributed by the 3 Orchard By-The-Park project and the Camellia project undertaken by YTL Westwood Properties Pte Ltd and PYP Sendirian Bhd, respectively. However, the decrease profit before tax was mainly attributable to the lower unrealised foreign exchange gain on term loan denominated in Australian Dollar recorded by YTL Hospitality REIT.

Revenue and profit before tax for the six months under review, decreased primarily due to the absence of one-off gain from land disposal by Udapakat Bina Sdn. Bhd. a wholly-owned subsidiary of YTL Land & Development Berhad following the acquisition by Pentadbir Tanah Kuala Lumpur for the Mass Rapid Transit project.

Management services & others

Increase in revenue was mainly due to higher distribution income received from investment in a fund by a foreign subsidiary whilst loss before tax improved mainly due to higher share of profits of the associates, interest income and coupled with accrued technical service income recorded by YTL Power International Berhad.

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Notes – continued

Hotels

Increase in revenue for the current financial quarter was mainly contributed by Star Hill Hotel Sdn. Bhd. following the completion of refurbishment exercise of JW Marriott Hotel Kuala Lumpur and The Hague Marriott Hotel, The Netherlands. However, the lower profit before tax was mainly due to higher operating expenses incurred by Niseko Village K.K.

The increase in revenue and profit before tax for the six months under review was mainly due to the consolidation of The Hague Marriott Hotel, The Netherlands and better performance of Star Hill Hotel Sdn. Bhd. as mentioned above.

Utilities

The increase in revenue was mainly due to higher fuel oil price whilst the lower profit before tax was mainly due to lower vesting contract level, lower retail and tank leasing margin and coupled with an allowance for impairment of receivable following a court decision on the outstanding litigation recorded by Multi utilities business (Merchant) divisions.

The utilities segment contributes to 64.2% and 55.2% of the Group revenue and profit before taxation, respectively.

B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2018 RM'000	Preceding Quarter 30.09.2018 RM'000	Variance % +/-
Revenue	4,554,615	4,088,523	11%
Profit before taxation	224,234	341,945	-34%
Profit attributable to owners of the parent	44,820	125,790	-64%

The increase in revenue was mainly due to higher revenue contributed by the Construction and Utilities segment. Despite the higher revenue, the lower profit before taxation was primarily attributable to recognition of an allowance of impairment of receivable following a court decision on an outstanding litigation in the Multi utilities business (Merchant) division.

B3. Audit Report of the preceding financial year ended 30 June 2018

The Auditors' Report on the financial statements of the financial year ended 30 June 2018 did not contain any qualification.

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B4. Prospects

Construction

The construction segment is expected to achieve satisfactory performance for the financial year ending 30 June 2019 as the construction contracts relate mainly to the Group's property development and infrastructure works.

Information technology & e-commerce related business

The outlook for the segment's performance in the financial year ending 30 June 2019 should be satisfactory, given that a significant portion of its revenue is derived from relatively resilient spectrum sharing fee income.

Cement manufacturing & trading

The outlook for the cement industry remains highly competitive amongst industry players and the segment is expected to achieve satisfactory performance for the financial year ending 30 June 2019.

Property investment & development

Notwithstanding the challenging property market conditions both in Malaysia and Singapore, the Group remains optimistic that properties in strategic locations across these jurisdictions will continue to draw prospective buyers. The Group will continue to embark on marketing efforts and initiatives to unlock sales including positioning itself to launch the sale of its residential project in Singapore. The Group is expected to achieve satisfactory performance for the financial year ending 2019 through the Group's unbilled sales and inventories.

Management services & others/Hotels

Considering the current market condition, the performance of these two segments for the financial year ending 30 June 2019 is expected to remain satisfactory.

Utilities

The YTL Power Group has an 80% equity interest in PT Tanjung Jati Power Company ("TJPC"), an independent power producer which is undertaking the development of Tanjung Jati A, a 2 x 660 megawatt coal-fired power project in Java, Indonesia. TJPC has a 30-year power purchase agreement with PT PLN (Persero), Indonesia's state-owned electric utility company, amended and restated in December 2015 and March 2018. The project is currently in the development stage and progress is underway towards achieving financial close.

The YTL Power Group also has a 45% equity interest in Attarat Power Company ("APCO"), which is developing a 554 megawatt oil shale fired power generation project in the Hashemite Kingdom of Jordan. APCO has signed a 30-year power purchase agreement (including construction period of 3.5 years) with the National Electric Power Company ("NEPCO"), Jordan's state-owned utility, for the entire electrical capacity and energy of the power plant, with an option for NEPCO to extend the power purchase agreement to 40 years (from the commercial operation date of the project's second unit). Construction has commenced on the project, with operations scheduled to commence in mid-2020.

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YTL Power Generation Sdn. Bhd. (“YTLPG”) has commenced its operation on 1 September 2017 for the supply of 585MW of capacity from the existing facility in Paka for a term of 3 years 10 months, which will be expiring on 30 June 2021. YTLPG is expected to perform satisfactorily as it operates under a regulatory regime.

The electricity market in Singapore will remain competitive, driven by volatilities across global markets and generation capacity oversupply in the wholesale electricity market. Despite the current challenges, this segment will continue to focus on customer service and diversification beyond the core business into integrated multi-utilities supply.

As for Water & Sewerage division, Wessex Water which operates under a strict regulatory regime is confident of delivering its 2015-20 regulatory outperformance target whilst continuing to provide customers with first-class affordable service.

The Group has continued to implement the 1BestariNet project for the Government of Malaysia, providing internet connectivity to more than 10,000 schools across the country and adding new features to the Frog VLE (Virtual Learning Environment), a learning platform that allows schools to simplify and enhance teaching and learning, communication and administration. Plans are also underway to expand the Yes service in Sarawak.

B5. Profit Forecast

The Group did not issue any profit forecast or profit guarantee for the current financial quarter.

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B6. Profit for the period

	Current Quarter 31.12.2018 RM'000	Period To Date 31.12.2018 RM'000
Profit for the period is stated after charging/(crediting):		
Adjustments on fair value of investment properties	-	(12,035)
Allowance for impairment of receivables - net of reversal	87,923	101,366
Amortisation of contract costs	3,553	7,549
Amortisation of deferred income	(360)	(719)
Amortisation of grants and contributions	(5,460)	(10,875)
Amortisation of other intangible assets	1,717	3,534
Depreciation of property, plant and equipment	433,547	824,517
Dividend income	(10,008)	(24,122)
Fair value changes of derivatives	16,195	11,374
Fair value changes of investments	426	(25,709)
Interest expense	431,584	860,316
Interest income	(19,965)	(40,260)
Gain on foreign exchange	(13,263)	(29,001)
Gain on disposal of investment properties	(3,792)	(3,792)
Gain on disposal of property, plant and equipment	(906)	(4,567)
Property, plant and equipment written off	584	3,422
Provision for liabilities and charges	762	906

Other than the above items, there were no other investment income, write off of receivables, gain or loss on disposal of properties, impairment of assets and exceptional items for the current financial quarter and financial period-to-date.

B7. Taxation

Taxation comprise the following:-

	Current Quarter 31.12.2018 RM'000	Period To Date 31.12.2018 RM'000
In respect of current period		
- Income tax	82,760	156,468
- Deferred tax	(16,021)	(12,219)
	<u>66,739</u>	<u>144,249</u>

The higher effective tax rate of the Group as compared to the Malaysian statutory income tax rate for the current financial quarter and financial period to date was mainly due to non-deductibility of certain expenses for tax purposes and partially offset by income subjected to different tax jurisdictions.

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B8. Corporate Developments

Corporate Proposals Announced and Pending Completion

As at the date of this report, being the latest practicable date, there are no corporate proposals announced and pending completion, save for the following: -

On 6 December 2018, YTL Hotels & Properties Sdn Bhd (“Buyer”) entered into a sale and purchase agreement (“SPA”) with KKH Property Investors, S.L.U. (“Seller”) to acquire:

- (i) 548,000 ordinary shares of EUR1.00 nominal each representing the entire share capital of SOL HTL Project, S.L.U. (“SOL HTL”), a company incorporated in Madrid, Spain; and
- (ii) Loans owing by SOL HTL to the Seller or its affiliates on completion date.

for an aggregate consideration of EUR220 million (equivalent to RM1,038 million, based on Bank Negara Malaysia’s published middle rate of EUR1:RM4.7180 as at close of business on 6 December 2018), which is subject to adjustments (“Proposed Acquisition”). The Company is also a party to the SPA, namely as the guarantor of the Buyer’s obligations.

SOL HTL owns a property which will be refurbished and converted into a 200-room hotel to be operated under the EDITION brand of Marriott International, Inc group (“Proposed Hotel”). The property is located at Plaza de Celenque no. 2, 28013 Madrid, Spain, which is registered in the Madrid Property Registry number 4, volume 2879, book 195, folio 1, and with property registration no. 56,167. This property forms part of a building which also houses Fundación Obra Social y Monte de Piedad de Madrid.

The completed Proposed Hotel will comprise:

- (i) the registered plot (finca registral) registered with the Land Registry of Madrid no. 4 (Section 2B), no. 56,167 comprising the plot of land located at Plaza de Celenque no. 2, 28013 Madrid, Spain and building ownership rights to the building located at Plaza de Celenque no. 2, 280 Madrid, Spain;
- (ii) all easements or other rights appurtenant thereto; and
- (iii) all furniture, fixtures and other equipment, fixed assets and inventories as described in the SPA.

Completion of the Proposed Acquisition will take place after satisfaction of certain conditions to completion as set out in the SPA, which includes, among others, the opening of the Proposed Hotel as an EDITION hotel (“Opening Date”). The Opening Date is targeted for before 31 December 2020.

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B9. Group Borrowings and Debt Securities

The Group's borrowings and debts securities as at 31 December 2018 are as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Current			
Bankers' acceptances	-	4,443	4,443
Bank overdrafts	-	24,762	24,762
Committed bank loans	-	55,010	55,010
Finance lease liabilities	45,408	8,128	53,536
ICULS *	-	24,256	24,256
Revolving credit	-	2,357,567	2,357,567
Term loans	28,500	1,852,718	1,881,218
Bonds	-	839,046	839,046
	<u>73,908</u>	<u>5,165,930</u>	<u>5,239,838</u>
Non-current			
Committed bank loans	-	728,247	728,247
Finance lease liabilities	31,415	353	31,768
Revolving credit	-	468,383	468,383
Term loans	2,240,961	14,684,333	16,925,294
Bonds	328,196	17,875,510	18,203,706
	<u>2,600,572</u>	<u>33,756,826</u>	<u>36,357,398</u>
Total borrowings	<u>2,674,480</u>	<u>38,922,756</u>	<u>41,597,236</u>

* Irredeemable Convertible Unsecured Loan Stock ("ICULS")

Foreign currency borrowings included in the above are as follows :-

	Foreign Currency '000	RM Equivalents '000
US Dollar	882,267	3,651,262
Singapore Dollar	3,785,028	11,476,962
Sterling Pound	2,190,299	11,506,079
Japanese Yen	17,449,550	653,922
Thai Baht	2,004,891	254,633
Australia Dollar	542,283	1,584,985
		<u>29,127,843</u>

Save for the borrowings of RM150.2 million, US Dollar 235.0 million, Sterling Pound 91.4 million, Yen 7.8 billion and Thai Baht 2.0 billion by subsidiary companies of which corporate guarantees are provided by the Company, all other borrowings of subsidiary companies are on a non-recourse basis to the Company.

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B10. Derivatives Financial Instruments, Fair Value Changes of Financial Liabilities and Fair Value hierarchy

(a) Derivatives Financial Instruments

As at 31 December 2018, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<u>Fuel oil swaps</u>		
- Less than 1 year	1,475,842	(222,795)
- 1 year to 3 years	519,567	(89,182)
- More than 3 years	-	-
<u>Currency forwards</u>		
- Less than 1 year	1,522,367	(2,102)
- 1 year to 3 years	667,129	193
- More than 3 years	4,024	32
<u>Currency options contracts</u>		
- Less than 1 year	-	-
- 1 year to 3 years	1,655,400	(12,936)
- More than 3 years	-	-
<u>Interest rate swap contracts</u>		
- 1 year to 5 years	944,114	(10,120)

The Group entered into fuel oil swaps to hedge highly probable forecast physical fuel oil and natural gas purchases that are expected to occur at various dates in the future. The fuel oil swaps have maturity dates that match the expected occurrence of these transactions.

The Group entered into currency forwards to hedge highly probable forecast transactions denominated in foreign currency expected to occur in the future. The currency forwards have maturity dates that match the expected occurrence of these transactions.

The Group entered into interest rate swap contracts to manage its interest rate risk arising primarily from interest-bearing borrowings. Borrowings at floating rate expose the Group to fair value interest rates and the derivative financial instruments minimise the fluctuation of cash flow due to changes in the market interest rates.

The derivative financial instruments are stated at fair value based on banks' quotes. The fair value changes on the effective portion of the derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.

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(b) Fair Value Changes of Financial Liabilities

The gains arising from fair value changes of financial liabilities for the current financial period ended 31 December 2018 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gains	Fair value (loss)/gain	
			Current quarter 31.12.2018 RM'000	Current year to date 31.12.2018 RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour of the Group	15	(1,661)
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved in favour of the Group	2,906	3,149
Currency options contract	Spot rate and interest rate curve, volatility and time to maturity	Spot rate has moved in favour of the Group	610	6,032
Total			3,531	7,520

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(c) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (a) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (c) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the reporting date, the Group and the Company held the following financial instruments carried at fair value on the statement of financial position:-

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
Assets				
Financial assets at fair value through profit and loss				
- Trading derivatives	-	4,517	-	4,517
- Income funds	-	1,585,782	-	1,585,782
- Equity investments	-	3,802	-	3,802
Derivative used for hedging	-	38,184	-	38,184
Available-for-sale financial assets	71,742	45	1,284,515	1,356,302
Total assets	71,742	1,632,330	1,284,515	2,988,587
Liabilities				
Financial liabilities at fair value through profit and loss				
- Trading derivatives	-	659	-	659
- Currency options contract	12,936	-	-	12,936
Derivative used for hedging	-	381,120	-	381,120
Total liabilities	12,936	381,779	-	394,715

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B11. Material litigation

Save for the following, there were no changes to the material litigations since the date of the last audited financial statements of financial position:

In 2015, a foreign subsidiary of the Group commenced proceedings in court against two customers to recover monies due to the subsidiary under contract, following termination of their electricity retail contracts. The trial was heard at the end of 2017 followed by a further hearing in November 2018. On 2 January 2019, the High Court ruled in favour of the subsidiary but awarded damages on a different basis from that claimed. This resulted in nominal damages being paid to the subsidiary. The foreign subsidiary's legal counsel has advised that there are real merits to appeal against the High Court's decision on the issue of damages and steps are currently being taken to file the appeal.

Notwithstanding the outcome of any further action, the subsidiary has recognised a provision for the sum of RM70.5 million (SGD23.4 million) in the quarter ended 31 December 2018 based on the decision of the court.

B12. Dividend

No dividend has been declared or the current financial quarter.

B13. Earnings Per Share

i) Basic earnings per share

The basic earnings per share of the Group has been computed by dividing the net profit attributable to owners of the parent for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:-

	Current Year Quarter 31.12.2018	Preceding Year Corresponding Quarter 31.12.2017 (Restated)
Profit attributable to owners of the parent (RM'000)	44,820	127,448
<i>Weighted average number of ordinary shares ('000)</i>		
Weighted average number of ordinary shares ('000)	10,910,559	10,910,559
Less: Shares repurchased	(232,832)	(375,349)
	<u>10,677,727</u>	<u>10,535,210</u>
Basic earnings per share (sen)	<u>0.42</u>	<u>1.21</u>

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B13. Earnings Per Share

ii) Diluted earnings per share

The diluted earnings per share of the Group has been computed by dividing the net profit attributable to owners of the parent for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:-

	Current Year Quarter 31.12.2018	Preceding Year Corresponding Quarter 31.12.2017 (Restated)
Profit attributable to owners of the parent (RM'000)	44,820	127,448
<i>Weighted average number of ordinary shares - diluted ('000)</i>		
Weighted average number of ordinary shares-basic	10,677,728	10,535,210
Effect of unexercised employees share option scheme ("ESOS")	-	-
	<u>10,677,728</u>	<u>10,535,210</u>
Diluted earnings per share (sen)	<u>0.42</u>	<u>1.21</u>

Total cash expected to be received in the event of an exercise of all outstanding ESOS options is RM542.103 million (2018: RM223.221 million). Accordingly, the Net Asset ("NA") on a proforma basis will increase by RM542.103 million (2018: RM223.221 million) resulting in an increase in NA per share of RM0.05 (2018: RM0.02). In arriving at the diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 27 February 2019