

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 JUNE 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
Note	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Revenue	1,099,957	997,604	2,193,576	2,017,073
Cost of inventories sold	(110,112)	(92,432)	(220,133)	(189,457)
Other income	53,413	55,815	108,419	102,697
Employee benefits expense	(196,463)	(191,547)	(376,812)	(368,484)
Depreciation and amortisation	(214,781)	(250,869)	(442,633)	(500,512)
Other expenses	(381,917)	(351,780)	(742,710)	(691,581)
Operating profits	250,097	166,791	519,707	369,736
Finance costs	(163,869)	(154,575)	(338,349)	(323,347)
Share of results:				
- associates	2,005	1,224	3,194	1,761
- joint ventures	4,084	4,072	7,682	7,571
Profit before tax and zakat from continuing operations	92,317	17,512	192,234	55,721
Taxation and zakat	(25,789)	(8,919)	(62,685)	(30,625)
Profit from continuing operations, net of tax and zakat	66,528	8,593	129,549	25,096
Attributable to:				
Owners of the Company	66,927	9,378	128,937	26,391
Non-controlling interests	(399)	(785)	612	(1,295)
	66,528	8,593	129,549	25,096
Profit/(loss) per share attributable to owners of the Company (sen):	31 2.29	(1.21)	6.09	(0.22)

The condensed unaudited consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year Corresponding Period 30.06.2016 RM'000
Profit for the period, net of tax and zakat	66,528	8,593	129,549	25,096
Other comprehensive income:				
Available-for-sale financial assets				
- (Loss)/gain on fair value changes	(1,847)	2,862	(1,231)	4,051
- Foreign currency translation	48,449	25,991	49,276	(136,961)
- Unrealised gain/(loss) on derivative financial instruments	(397)	(6,542)	3,511	(27,277)
Other comprehensive income for the period, net of tax and zakat	46,205	22,311	51,556	(160,187)
Total comprehensive income for the period	112,733	30,904	181,105	(135,091)
Attributable to:				
Owners of the Company	113,132	31,689	180,493	(133,796)
Non-controlling interests	(399)	(785)	612	(1,295)
	112,733	30,904	181,105	(135,091)

The condensed unaudited consolidated of other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	30.06.2017	31.12.2016
	RM'000	RM'000
	Unaudited	Audited
ASSETS		
Non-current Assets		
Property, plant and equipment	369,975	381,665
Plantation development expenditure	66,602	66,690
Land use rights	7,087	7,141
Intangible assets	17,173,462	17,230,972
Investment in associates	39,356	36,161
Investment in joint ventures	90,400	82,720
Available-for-sale investments	180,885	234,729
Trade receivables	170	205
Other receivables	435,176	410,906
Staff loans	29,674	31,710
Deferred tax assets	244,789	215,886
	18,637,576	18,698,785
Current Assets		
Inventories	130,411	135,235
Trade receivables	807,406	739,365
Other receivables	144,114	132,190
Tax recoverable	10,854	10,958
Cash and bank balances	1,518,475	1,571,876
	2,611,260	2,589,624
Assets of disposal group classified as held for disposal	151	151
TOTAL ASSETS	21,248,987	21,288,560

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	30.06.2017 RM'000 Unaudited	31.12.2016 RM'000 Audited
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	1,659,192	1,659,192
Perpetual sukuk	997,842	997,842
Share premium	3,455,149	3,455,149
Retained earnings	2,324,670	2,321,187
Fair value adjustment reserve	7,037	8,268
Hedging reserve	(33,906)	(37,417)
Other reserve	6,945	6,801
Foreign exchange reserve	333,111	283,835
	<u>8,750,040</u>	<u>8,694,857</u>
Non-controlling interests	31	2,031
Total equity	<u>8,750,071</u>	<u>8,696,888</u>
Non-current Liabilities		
Borrowings	5,466,249	5,386,142
Derivative financial instruments	41,352	43,393
Deferred income	54,525	56,574
Deferred tax liabilities	973,385	935,840
Trade payables	3,871,817	3,962,106
Other payables	427,277	441,853
	<u>10,834,605</u>	<u>10,825,908</u>
Current Liabilities		
Borrowings	152,850	193,638
Derivative financial instruments	3,518	3,389
Trade payables	667,198	781,790
Other payables	775,170	756,781
Income tax payable	65,556	30,147
	<u>1,664,292</u>	<u>1,765,745</u>
Liabilities of disposal group classified as held for disposal	19	19
Total liabilities	<u>12,498,916</u>	<u>12,591,672</u>
TOTAL EQUITY AND LIABILITIES	<u>21,248,987</u>	<u>21,288,560</u>

The condensed unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

Attributable to equity holders of the Company

	Non-distributable							Distributable		Non-Controlling Interests	Total equity
	Share Capital	Perpetual Sukuk	Share Premium	Fair Value Adjustment Reserve	Foreign Exchange Reserve	Hedging Reserve	Other Reserve	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	1,659,192	997,842	3,455,149	5,300	282,786	(13,491)	5,083	2,449,491	8,841,352	(757)	8,840,595
Total comprehensive income for the period	-	-	-	4,051	(136,961)	(27,277)	-	26,391	(133,796)	(1,295)	(135,091)
Legal reserve	-	-	-	-	-	-	1,070	-	1,070	-	1,070
Distribution to perpetual sukuk holder	-	-	-	-	-	-	-	(28,671)	(28,671)	-	(28,671)
Transaction with owners											
Dividends	-	-	-	-	-	-	-	(74,663)	(74,663)	-	(74,663)
Total transactions with owners	-	-	-	-	-	-	-	(74,663)	(74,663)	-	(74,663)
At 30 June 2016	1,659,192	997,842	3,455,149	9,351	145,825	(40,768)	6,153	2,372,548	8,605,292	(2,052)	8,603,240
At 1 January 2017	1,659,192	997,842	3,455,149	8,268	283,835	(37,417)	6,801	2,321,187	8,694,857	2,031	8,696,888
Total comprehensive income for the period	-	-	-	(1,231)	49,276	3,511	-	128,937	180,493	612	181,105
Legal reserve	-	-	-	-	-	-	144	-	144	-	144
Distribution to perpetual sukuk holder	-	-	-	-	-	-	-	(28,514)	(28,514)	-	(28,514)
Transaction with owners											
Dividends	-	-	-	-	-	-	-	(99,552)	(99,552)	-	(99,552)
Effect arising from acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	2,612	2,612	(2,612)	-
Total transactions with owners	-	-	-	-	-	-	-	(96,940)	(96,940)	(2,612)	(99,552)
At 30 June 2017	1,659,192	997,842	3,455,149	7,037	333,111	(33,906)	6,945	2,324,670	8,750,040	31	8,750,071

The condensed unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statement.

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	30.06.2017 RM'000 Unaudited	30.06.2016 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax and zakat from:		
Continuing operations	192,234	55,721
Adjustments for:		
Interest income	(18,822)	(17,599)
Interest expense	335,933	321,659
Loss from derivative instrument	2,416	1,688
Provision for liabilities	4,592	1,985
Write-back of provision of liabilities	(5,249)	-
Amortisation of:		
- Intangible assets	412,513	471,803
- plantation development expenditure	1,714	1,600
- land use rights	54	69
Depreciation of property, plant and equipment	28,352	27,040
Reversal of impairment of intangible assets	(1,391)	-
Net allowance for doubtful debts	18,971	9,911
Net bad debt written off	413	2,076
Net gain on disposal of property, plant and equipment	(4)	(4)
Property, plant and equipment written off	916	874
Intangible assets written off	1,317	2,416
Inventories written off	3,589	1,790
Investment income	(9,957)	(9,306)
Share of results of:		
- associates	(3,194)	(1,761)
- joint ventures	(7,682)	(7,571)
Operating profit before working capital changes	956,715	862,391
Decrease/(Increase) in inventories	1,058	(13,987)
Increase in receivables	(111,634)	(24,422)
Decrease in payables	(332,013)	(162,123)
Decrease in concession liabilities	(14,829)	(14,037)
Decrease in provision for liabilities	(3,883)	(2,609)
Cash generated from operations	495,414	645,213
Tax and zakat paid	(42,943)	(27,954)
Net cash generated from operating activities	452,471	617,259

**CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017**

	30.06.2017	30.06.2016
	RM'000	RM'000
	Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of:		
- property, plant and equipment	(18,984)	(32,064)
- intangibles assets	(24,652)	(229,614)
- quoted unit trusts	-	(1,451)
- plantation development expenditure	(2,100)	-
Proceed from disposals of:		
- property, plant and equipment	-	30
- quoted equity shares	-	10,000
- quoted unit trusts	50,583	-
Investment income received	9,957	9,306
Interest received	1,469	1,474
Net cash generated from/(used in) investing activities	16,273	(242,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan	(24,500)	(44,800)
Swap payment	(1,774)	(1,688)
Concession payment	(468,653)	(423,701)
Interest paid	(119,195)	(117,033)
Dividends paid to shareholders of the Company	(99,552)	(74,663)
Distribution paid to Perpetual Sukuk Holder	(28,671)	(28,829)
Net cash used in from financing activities	(742,345)	(690,714)
Net decrease in cash and cash equivalents	(273,601)	(315,774)
Effects of foreign currency translation	220,201	(55,666)
Cash and cash equivalents at beginning of year	1,572,026	1,286,887
Cash and cash equivalents at end of period	1,518,626	915,447
Cash and cash equivalents comprising:		
Cash and bank balances	272,510	362,754
Short term deposits	1,246,116	552,693
	1,518,626	915,447
Cash and bank balances - Discontinued operation (Note 13)	(151)	(151)
	1,518,475	915,296

The condensed unaudited consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements.

The interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the interim condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except as follows:

On 1 January 2017, the Group adopted the following new and amended FRS mandatory for annual financial periods beginning on or after 1 January 2017.

Effective for financial periods beginning on or after 1 January 2017

Amendments to FRS 107 Disclosure Initiatives
Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The new disclosure as per amendments to FRS107 is disclosed in note 27.

The application of the amendments to FRS112 has no material impact on the financial position or disclosure in the Group's financial statements.

Standards issued but not yet effective

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 2 Classification and Measurement of Share-based Payment
Transactions
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**Standards issued but not yet effective (Cont'd).**

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 : Leases

Effective for annual periods to be announced by MASB

Amendments to FRS 10 and FRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except for MFRS 9, MFRS 15 and MFRS 16 as explained in the Group's 2016 audited financial statements.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is a fully IFRS-compliant framework which is applicable for all non-private entities for annual periods beginning on or after 1 January 2012, other than Transitioning Entities (TEs), which may defer adoption in view of potential changes on the horizon which may change current accounting treatments. On 8 September 2015, MASB had announced the adoption of MFRS for TEs is deferred to 1 January 2018.

TEs are non-private entities within the scope of MFRS 141 – Agriculture and IC Interpretation 15 –Agreements for the Construction of Real Estate, including their parent, significant investor and venturer. The Group being a TE, will adopt the MFRS Framework with effect from 1 January 2018.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

Airport services segment and duty free and non-dutiable goods segment, being the core businesses of the Group were not materially affected by any seasonality or cyclicity during the current quarter under review.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no other unusual items, affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

6. SEGMENT INFORMATION

The Group is organised into business segments and geographical segments which is then further classified under airport operations and non-airport operations activities:-

Malaysia Operations

Airport operations:-

- a) Airport services
To manage, operate and maintain designated airports and to provide airport related services.
- b) Duty free and non-dutiable goods
To operate duty free and non-duty free outlets and provide services in respect of food and beverage outlets at designated airports in Malaysia.

Non-airport operations:-

- c) Project and repair maintenance
To provide consultancy, operations and maintenance, mechanical and civil engineering services in connection with the airport industry.
- d) Hotel
To manage and operate a group of hotel, known as Sama-Sama Hotel, Sama-Sama Express KLIA and Sama-Sama Express klia2.
- e) Agriculture and horticulture
To cultivate oil palm and sell palm oil and other agricultural products and to carry out horticulture activities.
- f) Others
Investment holdings and dormant companies.

Overseas Operations

- a) Airport operations
To manage, operate and maintain the Istanbul Sabiha Gokcen International Airport (ISGIA) in Turkey and to provide airport related services.
- b) Project and repair maintenance
To provide facilities maintenance services at Hamad International Airport (HIA).

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

6. SEGMENT INFORMATION (Cont'd.)

	Continuing Operations									Discontinued Operation	Total Operations	
	Malaysia Operations						Overseas Operations		Consolidation adjustments			TOTAL
	Airport Operations		Non Airport Operations				Airport operations	Project & repair and maintenance				
Airport services	Duty free and non-dutiable goods	Project & repair and maintenance	Hotel	Agriculture & horticulture	Others	RM'000			RM'000	RM'000	RM'000	RM'000
For the year ended 30 June 2017												
Segment Revenue												
External:												
Aeronautical	815,169	-	-	-	-	-	252,634	-	-	1,067,803	-	1,067,803
Non-aeronautical:												
Retail	-	412,943	-	-	-	-	-	-	-	412,943	-	412,943
Others	364,067	684	-	-	-	-	203,299	-	-	568,050	-	568,050
Non airport operations	-	-	10,325	45,005	18,686	-	3,650	67,114	-	144,780	-	144,780
Inter-segment sales	134,600	498	31,474	665	2,852	-	34,378	-	(204,467)	-	-	-
Total Revenue	1,313,836	414,125	41,799	45,670	21,538	-	493,961	67,114	(204,467)	2,193,576	-	2,193,576
Segment Results												
Operating profits before depreciation and amortisation	582,748	26,969	14,049	11,151	7,805	76,026	334,741	6,975	(98,124)	962,340	-	962,340
Depreciation and amortisation	(149,613)	(5,006)	(185)	(7,668)	(2,129)	(6,892)	(157,341)	(3,383)	(110,416)	(442,633)	-	(442,633)
Finance costs	(116,156)	14	26	14	17	(74,900)	(235,265)	-	87,901	(338,349)	-	(338,349)
Share of results of:												
- associates	3,194	-	-	-	-	-	-	-	-	3,194	-	3,194
- joint ventures	-	-	-	-	-	7,682	-	-	-	7,682	-	7,682
Profit/(loss) before tax and zakat	320,173	21,977	13,890	3,497	5,693	1,916	(57,865)	3,592	(120,639)	192,234	-	192,234
Taxation and zakat	(85,765)	(6,003)	(3,365)	(1,006)	(1,448)	(795)	9,233	(323)	26,787	(62,685)	-	(62,685)
Profit/(loss) for the year	234,408	15,974	10,525	2,491	4,245	1,121	(48,632)	3,269	(93,852)	129,549	-	129,549
As at 30 June 2017												
Assets and Liabilities												
Segment assets	10,719,572	241,097	137,819	140,020	93,829	11,943,425	6,597,766	80,871	(8,835,318)	21,119,081	151	21,119,232
Investment in associates	39,355	-	-	-	-	-	-	-	-	39,355	-	39,355
Investment in joint ventures	-	-	-	-	-	90,400	-	-	-	90,400	-	90,400
Total assets	10,758,927	241,097	137,819	140,020	93,829	12,033,825	6,597,766	80,871	(8,835,318)	21,248,836	151	21,248,987
Segment liabilities representing												
Total liabilities	6,455,799	185,616	49,742	52,343	18,341	5,868,846	7,777,317	81,260	(7,990,367)	12,498,897	19	12,498,916

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

6. SEGMENT INFORMATION (Cont'd.)

	Continuing Operations									Discontinued Operations	Total Operations	
	Malaysia Operations						Overseas Operations					
	Airport Operations		Non Airport Operations				Airport operations	Project & repair and maintenance	Consolidation			TOTAL
	Airport services	Duty free and non-dutiable goods	Project & repair and maintenance	Hotel	Agriculture & horticulture	Others						
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
For the period ended 30 June 2016												
Segment Revenue												
External:												
Aeronautical	757,458	-	-	-	-	-	238,995	-	-	996,453	-	996,453
Non-aeronautical:												
Retail	-	356,193	-	-	-	-	-	-	-	356,193	-	356,193
Others	326,778	499	-	-	-	-	214,425	-	-	541,702	-	541,702
Non airport operations	-	-	7,936	36,299	13,803	-	5,486	59,201	-	122,725	-	122,725
Inter-segment sales	113,835	221	31,978	210	2,723	-	33,830	-	(182,797)	-	-	-
	<u>1,198,071</u>	<u>356,913</u>	<u>39,914</u>	<u>36,509</u>	<u>16,526</u>	<u>-</u>	<u>492,736</u>	<u>59,201</u>	<u>(182,797)</u>	<u>2,017,073</u>	<u>-</u>	<u>2,017,073</u>
Segment Results												
Operating profits before depreciation and amortisation	477,598	24,122	9,246	6,142	3,034	122,890	337,698	2,981	(113,463)	870,248	-	870,248
Depreciation and amortisation	(231,777)	(5,652)	(191)	(7,890)	(2,033)	(7,770)	(140,218)	(413)	(104,568)	(500,512)	-	(500,512)
Finance costs	(121,092)	36	104	(129)	14	(79,968)	(215,273)	-	92,961	(323,347)	-	(323,347)
Share of results of associates:												
- associates	1,761	-	-	-	-	-	-	-	-	1,761	-	1,761
- joint ventures	-	-	-	-	-	7,571	-	-	-	7,571	-	7,571
Profit/(loss) before tax and zakat	126,490	18,506	9,159	(1,877)	1,015	42,723	(17,793)	2,568	(125,070)	55,721	-	55,721
Taxation and Zakat	(27,827)	(4,462)	(2,206)	437	(154)	(3,464)	(16,624)	(231)	23,906	(30,625)	-	(30,625)
Profit/(loss) for the year	<u>98,663</u>	<u>14,044</u>	<u>6,953</u>	<u>(1,440)</u>	<u>861</u>	<u>39,259</u>	<u>(34,417)</u>	<u>2,337</u>	<u>(101,164)</u>	<u>25,096</u>	<u>-</u>	<u>25,096</u>
As at 30 June 2016												
Assets and Liabilities												
Segment assets	10,657,916	237,234	124,611	153,684	81,348	12,212,292	6,189,027	108,292	(9,080,788)	20,683,616	151	20,683,767
Investment in associates	36,247	-	-	-	-	-	-	-	-	36,247	-	36,247
Investment in joint ventures	-	-	-	-	-	79,241	-	-	-	79,241	-	79,241
Total assets	<u>10,694,163</u>	<u>237,234</u>	<u>124,611</u>	<u>153,684</u>	<u>81,348</u>	<u>12,291,533</u>	<u>6,189,027</u>	<u>108,292</u>	<u>(9,080,788)</u>	<u>20,799,104</u>	<u>151</u>	<u>20,799,255</u>
Segment liabilities representing												
Total liabilities	6,712,273	203,988	53,091	70,522	14,744	6,058,673	7,209,253	74,355	(8,200,903)	12,195,996	19	12,196,015

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

7. PROFIT BEFORE TAX AND ZAKAT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year	Current Year To Date 30.06.2017 RM'000	Preceding Year
		Corresponding		Corresponding
		Quarter		Period
	30.06.2016 RM'000		30.06.2016 RM'000	
Included in Other Income:				
Interest income:				
-Unquoted investment, quoted bond and staff loan	686	741	1,469	1,474
-Other loan and receivables	8,473	7,888	16,714	15,532
-Gain on financial instrument at fair value through profit or loss	167	193	639	593
Investment income	-169	266	9,957	9,306
Net realised foreign exchange gain	785	(1,086)	1,567	64
Net gain on disposal of property, plant and equipment	-	-	-	4
Recoupment of expenses	23,497	26,329	45,647	43,646
Included in Other Expenses:				
Net allowance of doubtful debts	8,779	4,262	18,971	9,911
Net bad debt written off	413	1,539	413	2,076
Reversal of impairment of intangible assets	(1,391)	-	(1,391)	-
Property, plant and equipment written off	778	354	916	874
Intangible assets written off	12	2,048	1,317	2,416
Net inventories written off	1,977	1,275	3,589	1,790
User fee	94,578	80,854	188,847	163,951
Included in Finance Cost:				
Interest expense:				
- Concession payables and borrowings	59,906	56,699	119,195	124,839
- Financial liabilities	103,963	97,876	219,154	198,508

8. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no other changes in estimates that have had a material effect in the result for current quarter and financial period-to-date under review.

9. DEBT AND EQUITY SECURITIES

On 23 June 2017, the Group has paid Euro 5.0 million, equivalent to RM24.5 million of the Senior Term Facility which matured on 26 June 2017.

There were no issuance and/or other repayment of debt and/or equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares during the current quarter and financial period-to-date under review.

10. DIVIDENDS PAID

A single-tier final dividend of 6.00 sen per ordinary share amounting to RM99.6 million in respect of the financial year ended 31 December 2016 was approved by the Shareholders at its Annual General Meeting held on 25 May 2017. The final dividend was paid on 16 June 2017.

Save for the foregoing, there were no other dividends paid or declared during the current quarter and financial period-to-date under review.

11. CARRYING AMOUNT OF REVALUED ASSETS

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation, amortisation and impairment losses.

12. CHANGES IN COMPOSITION OF THE GROUP

On 6 March 2017, Malaysia Airports Holdings Berhad (MAHB) had incorporated a wholly-owned subsidiary, Malaysia Airports International Sdn Bhd (Malaysia Airports International). The issued and paid-up share capital of Malaysia Airports International amounted to RM2. The principal activity is investment holding.

On 13 June 2017 the Group acquired the minority interest of 39.2% of İstanbul Sabiha Gökçen Uluslararası Havalimanı Yer Hizmetleri Anonim Şirketi (ISGGH) for total consideration of 3 Turkish Lira, therefore owning 100%.

Save for the above, there were no other changes in the composition of the Group during the current quarter and financial period-to-date under review.

13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR DISPOSAL

On 3 September 2013, K.L. Airport Hotel Sdn. Bhd. (KLAH) issued a notice of termination of the Hotel Management Agreement (HMA) to Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) due to the non-participation and withdrawal of a key individual in the management and operations of the JV Company. On 18 September 2013, pursuant to the terms of the Joint Venture Agreement (JVA), KLAH issued a written notice of termination to ATOZ Hospitality Services Sdn. Bhd. (ATOZ), to terminate the JVA.

The Board of Directors of MAHB, had on 25 November 2014 approved for the striking off or winding up of SSHM via a court order, after attempts to have SSHM wound up via voluntary winding up failed. Subsequently, on 6 November 2015, ATOZ has applied for an Intervener Application.

The matter was called up for hearing on 5 May 2016 and ATOZ withdrew the Intervention Application. Accordingly, the court ordered that SSHM to be wound up. On 27 October 2016, the Group has appointed a private liquidator and is currently carrying out the liquidation process.

As at 30 June 2017, the assets and liabilities of SSHM have been presented on the consolidated statements of financial position as assets and liabilities held for disposal and the results from SSHM was presented separately on the statement of comprehensive income as a discontinued operation.

There were no movements in the statements of profit or loss of the discontinued operation in the current quarter and financial period-to-date under review.

The classes of assets and liabilities classified as held for disposal on the consolidated statement of financial position are as follows:-

	30.06.2017	31.12.2016
	RM'000	RM'000
	Unaudited	Audited
Assets		
Cash & bank balances	151	151
Liabilities		
Other payables	19	19

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Guarantees

- i) Istanbul Sabiha Gokcen Uluslararası Havalimani Yatirim Yapim ve Isletme A.S. (ISG) has given three letters of guarantee, totalling to Euro 95.0 million, equivalent to RM465.5 million (Q2 2016: Euro 100.7 million, equivalent to RM451.1 million) to the Administration (representing 6% of total amount payable to the Administration for the right to operate the Facility as set out in the Concession Agreement).
- ii) LGM Havalimani Isletmeleri Ticaret ve Turizm A.S. (LGM) has given letter of guarantee to Havaalani Isletme Ve Havacilik Endustrileri A.S. (HEAS) amounting to Euro 0.5 million, equivalent to RM2.4 million for the rental of the hangar operations (Q2 2016: Euro 0.4 million, equivalent to RM2.0 million).

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Cont'd)a) Guarantees (Cont'd)

iii) Malaysia Airports Consultancy Services Sdn Bhd (MACS) has provided the following guarantees for customers of MACS Middle East LLC (MACS ME):

- a) Performance Bank Guarantee totalling to QAR39.7 million, equivalent to RM47.6 million (Q2 2016: QAR36.9 million, equivalent to RM40.6 million)
- b) Advance Payment Guarantee totalling to QAR22.0 million, equivalent to RM26.4 million (Q2 2016: QAR31.9 million, equivalent to RM35.2 million)
- c) Parent Company Guarantee (PCG) to guarantee the performance of obligations and liabilities of MACS ME under contract for Facility Management Services for Airport Operational Facilities and Ancillary Buildings.

The Group has assessed the guarantee contracts and concluded that the guarantees are more likely not to be called upon and accordingly not recognised as financial liability as at 30 June 2017.

Save for the above, there were no other guarantees.

b) Contingent Liability

- i) ISG is involved in, and may from time to time be involved in a number of legal proceedings. There are 229 (Q2 2016: 239) employee lawsuits filed against ISG either directly or indirectly via sub-contractors. The total amount of claims against the Group is Euro 1.1 million, equivalent to RM5.4 million (Q2 2016: Euro 1.3 million, equivalent to RM5.8 million). The Group recognised a provision for these claims of Euro 1.0 million, equivalent to RM4.9 million (Q2 2016: Euro 0.7 million, equivalent to RM3.6 million) in the consolidated financial statements considering that ISG cannot establish the rest of the claims and that a probable loss will occur.
- ii) On 20 August 2015, Malaysia Airports (Properties) Sdn. Bhd. (MAP) received a Notice of Arbitration from Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAFS) in respect of the alleged losses and damages in the sum of RM28.3 million pertaining to among others, design changes under the Airport Facilities Agreement (AFA) dated 26 September 2007. Both parties have appointed an arbitrator. The Arbitrator has fixed hearing of the matter on 11 to 29 September 2017.
- iii) On 26 February 2016, MAP received a Notice of Arbitration from KAFS in respect of the alleged losses and damages in the estimated claim amount of RM456.0 million pertaining to inter alia, the changes of the Concession Period under the AFA dated 26 September 2007. MAHB has obtained a preliminary view from its solicitors who consider that MAP has a reasonably good prospect of defending the claims as MAP has complied with all the terms and conditions under the AFA. On 13 February 2017, MAP has informed KAFS on the extension of the Operating Agreements and requested KAFS to withdraw the arbitration notice. However, KAFS refused to withdraw the arbitration notice and grants MAP on the extension until 30 May 2017 to facilitate further negotiations on the matter. MAP requested from KAFS for further extension to 30 December 2017. As at to date, KAFS has yet to response on the request.

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Cont'd)b) Contingent Liability (Cont'd)

- iv) On 21 September 2016, MAHB and its wholly owned subsidiary Malaysia Airports (Sepang) Sdn. Bhd. have received a Notice from Express Rail Link Sdn. Bhd. (ERL) to, inter alia, wholly indemnify ERL against a claim by Segi Astana Sdn. Bhd. (SASB) for the sum of RM5.4 million and further and continuing damages from 9 September 2016 until the date of vacant possession of Premises or until such date as deemed appropriate by Court for all losses and damages. The Court has fixed 30 May 2017 for hearing of the case management. The parties have amicably resolved the dispute. ERL has on 4 May 2017 withdrawn its claim against MAHB and MA (Properties).
- v) On 23 December 2016, ISG received a notice of tax audit as follows on VAT Refund in respect of Jet Fuel for the years 2012 and 2013. This is in respect of a legal case which has been filed against the tax office. ISG has won the legal case and the tax office appealed to the Supreme Court. The case is still at the Supreme Court. ISG is of the view that the Appeal Court will uphold the decision of the lower courts in favour of ISG.
- vi) Syarikat Pembinaan Anggerik Sdn Bhd. (SPASB) via a Writ of Summons claims from MAHB for the sum of RM44.0 million for damages and other claims and interest in respect of the alleged losses and damages pertaining to the works carried out by SPASB for the "Proposed Development and Upgrading Works at Penang International Airport, Bayan Lepas, Pulau Pinang" and the "Proposed Construction and Completion of Site Office, Central Utilities Building and Airside Drainage Works at Penang International Airport.

MAHB has filed an application to stay proceedings in light of the arbitration provisions in the Contract. The Court has fixed the hearing for the 'Stay Application' on 2 August 2017.

Save for the above, there were no other contingent liabilities. The Group has no contingent assets.

15. RELATED PARTY TRANSACTIONS AND BALANCES
Related Party Transaction:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To Date	Corresponding
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Revenue:				
<u>Associates:</u>				
Lease rental				
- KL Aviation Fuelling System Sdn. Bhd.	1,530	1,489	3,060	2,977
- MFMA Development Sdn. Bhd.	761	761	1,522	1,522
Concession fee				
- MFMA Development Sdn. Bhd.	142	142	284	284
Recoupment of water, electricity & sewerage				
- MFMA Development Sdn. Bhd.	1,510	1,740	3,049	2,859
<u>Joint ventures:</u>				
Lease rental				
- Segi Astana Sdn. Bhd.	318	318	636	636
- Airport Cooling Energy Supply Sdn. Bhd.	222	222	444	444
Expenses:				
<u>Joint ventures:</u>				
Airport Cooling Energy Supply Sdn. Bhd.				
- Utilities (Fixed)	8,031	8,031	16,062	16,063
- Utilities (Variable usage)	3,420	3,780	6,857	7,074
- Less: Rebate	(3,223)	(547)	(3,909)	(2,089)
- Interest on concession payable	5,340	5,340	10,681	10,681
Segi Astana Sdn. Bhd.				
- Rental of shops and warehouse	166	331	332	680
- Recoupment of water and electricity	19	34	32	64
- Car park	-	35	-	35
Other Transactions:				
<u>Joint ventures:</u>				
Airport Cooling Energy Supply Sdn. Bhd.				
- Payment on concession payable	2,675	2,675	5,349	5,349
<u>Other Related Party:</u>				
Korn Ferry International (M) Sdn. Bhd.				
- Professional fees	92	86	154	351

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

15. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd.)

Related Party Balances:

	As at 30.06.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
Amount owing by associated companies	1,019	1,577
Amount owing to joint ventures	-	6,986
Amount owing to other related parties	-	500
	<hr/>	<hr/>

16. COMMITMENTS

The amount of commitments for the lease rental, purchase of intangible asset, property, plant and equipment and other investment not provided for in the interim condensed consolidated financial statements as at 30 June 2017 were as follows:

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
(i) Approved and contracted for:			
Capital expenditure	34,847	-	34,847
(ii) Approved but not contracted for:			
Capital expenditure	665,360	-	665,360
(iii) Other investment:			
Investment in ISG	58,800	198,597	257,397
Investment in MFMA Development Sdn. Bhd.	-	57,814	57,814
	<hr/>	<hr/>	<hr/>
	759,007	256,411	1,015,418

17. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter and financial period-to-date under review that requires disclosure or adjustments to the interim financial statements.

18. PERFORMANCE REVIEW

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year Corresponding Period 30.06.2016 RM'000
Revenue	1,099,957	997,604	2,193,576	2,017,073
Profit before tax and zakat	92,317	17,512	192,234	55,721

a) Quarter-on-Quarter

Revenue

The consolidated revenue of the Group for the current quarter under review amounted to RM1,099.9 million and was 10.3% or RM102.3 million higher than the corresponding quarter last year.

Both revenue from Malaysia and Overseas operations for the current quarter under review recorded a favourable variances against the corresponding quarter last year by 13.0% or RM95.4 million (Q2 2017: RM831.6 million; Q2 2016: RM736.2 million) and 2.6 % or RM6.9 million (Q2 2017: RM268.3 million; Q2 2016: RM261.4 million) respectively.

Malaysia operations

i) Airport operations

Revenue from airport operations for the current quarter under review amounted to RM795.7 million, 12.4% or RM87.8 million higher than the corresponding quarter last year.

The favourable variance in the Malaysia airport operations revenue was mainly attributed to the increase in non-aeronautical revenue. Non-aeronautical revenue increased by 16.7% or RM55.9 million (Q2 2017: RM391.2 million; Q2 2016: RM335.3 million). The main contributing factors to the increase was higher passenger growth which has resulted in higher retail and rental revenues by 20.6% or RM35.6 million and 12.5% or RM20.3 million respectively.

The increase in airport operations revenue in Malaysia was also due to the increase in aeronautical revenue. Aeronautical revenue increased by 8.5% or RM31.8 million (Q2 2017: RM404.5 million; Q2 2016: RM372.7 million). This improvement was driven by higher PSC, PSSC and MARCS PSC revenues by 12.4% or RM32.7 million owing to higher passenger growth.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**18. PERFORMANCE REVIEW (Cont'd.)****Quarter-on-Quarter (Cont'd.)**

The favourable variance was negated by lower MARCS ERL by 16.5% or RM3.5 million and higher airline incentives by 9.2% or RM1.5 million.

The passenger traffic for airports operated by MAHB in Malaysia for the current quarter under review increased by 13.8% to 23.9 million passengers as compared to the corresponding quarter last year of 21.0 million passengers. Both international and domestic passenger traffic increased by 18.3% and 9.7% respectively. Passenger traffic at KLIA-Main Terminal increased by 17.0% (international: 21.1%, domestic: 5.1%) and at klia2 also increased by 15.7% (international:16.9%, domestic:13.4%).

ii) Non-airport operations

For the current quarter under review, the businesses from the non-airport segment registered an increase in revenue of 26.9% or RM7.6 million (Q2 2017: RM35.9 million; Q2 2016: RM28.3 million).

The increase was largely contributed by revenue from the hotel, agriculture and project and repair maintenance segments which increased by 26.7% or RM4.6 million, 17.1% or RM1.2 million and 47.5% or RM1.9 million respectively.

The increase in hotel revenue was due to the higher occupancy rates (Q2 2017: 78%; Q2 2016: 63%).

The increase in agriculture revenue was due to the increase in average price by 1.9% (Q2 2017: RM579.14/MT; Q2 2016: RM568.58/MT) coupled with the increase in Fresh Fruit Bunches (FFB) production by 14.6% (Q2 2017: 13,967.31 MT; Q2 2016: 12,187.08 MT).

Overseas Operations**i) Airport operations**

Revenue from Overseas airport operations for the current quarter under review was 1.2% or RM2.8 million higher than the corresponding quarter last year (Q2 2017: RM234.5 million; Q2 2016: RM231.7 million), representing revenue from ISG and LGM. The favourable variance was due to higher aeronautical revenue of RM16.2 million negated by lower non-aeronautical revenue by RM13.4 million respectively.

The passenger traffic for ISGIA for the current quarter under review increased by 4.0% to 7.8 million passengers as compared to the corresponding quarter last year of 7.5 million passengers. Both international and domestic traffic increased by 9.5% and 3.2% respectively.

18. PERFORMANCE REVIEW (Cont'd.)**Quarter-on-Quarter (Cont'd.)**ii) Non-airport operations

For the current quarter under review, the businesses from Overseas non-airport segment registered an increase in revenue of 13.8% or RM4.1 million (Q2 2017: RM33.8 million; Q2 2016: RM29.7 million) mainly contributed by revenue from the project and repair maintenance of MACS ME by 18.5 % or RM5.0 million (Q2 2017: RM32.0 million; Q2 2016: RM27.0 million) negated by lower hotel revenue in LGM by 33.3% or RM0.9 million (Q2 2017: RM1.8 million; Q2 2016: RM2.7 million).

MACS ME is a company that provides facilities maintenance services at HIA.

Profit before tax and zakat

The Group profit before taxation and zakat (PBT) for the current quarter under review amounted to RM92.3 million and was 427.1% or RM74.8 million higher than the corresponding quarter last year.

The favourable variance was contributed by the Malaysia operations negated by higher loss before taxation (LBT) from the Overseas operations.

Malaysia Operations

For the current quarter under review, Malaysia operations recorded a PBT of RM167.0 million and was 126.6% or RM93.3 million higher than the corresponding quarter last year.

The favourable variance was mainly due to higher revenue by 13.0% or RM95.4 million and lower amortisation costs of 34.2% or RM43.3 million negated by higher operating costs of 7.5% or RM44.4 million and lower other income of 5.7% or RM3.0 million.

Increase in costs is mainly due to higher costs of inventories sold by 19.1% or RM17.7 million, increase in user fees by 17.0% or RM13.7 million, staff cost by 4.3% or RM7.1 million as well as repair and maintenance cost by 7.8% or RM4.3 million. However, this was offset against decrease in amortisation and depreciation by 34.2% or RM44.3 million which was due to the extended amortisation and depreciation period in line with the extension of the operating period from 25 years ending 2034 to an additional 35 years ending 2069.

18. PERFORMANCE REVIEW (Cont'd.)**Quarter-on-Quarter (Cont'd.)****Overseas Operations**

For the current quarter under review, ISG & LGM recorded higher LBT of 29.8% or RM16.7 million (Q2 2017: -RM72.7 million; Q2 2016: -RM56.0 million) mainly due to the higher costs by 6.6% or RM19.4 million.

ISG and LGM registered increase in LBT by RM15.2 million (Q2 2017: -RM13.5 million; Q2 2016: RM1.7 million) prior to taking into account the loss of RM59.2 million (Q2 2016: -RM57.7 million) recognised primarily due to the amortisation of fair value for the concession rights owing to the fair valuation exercise on the acquisition of ISG and LGM.

MACS ME register LBT of RM2.0 million (Q2 2016: -RM0.2 million). MACS ME registered higher LBT due to a higher cost incurred in the current quarter under review.

Share of results of Associates and Joint Ventures (JV)

Share of associate profit in the current quarter under review amounted to RM2.0 million as compared to RM1.2 million for the corresponding quarter last year. The favourable variance was due to higher contribution from KAFS and MFMA Development Sdn Bhd (MFMA) by 267.9% or RM0.7 million and 6.1% or RM0.1 million respectively.

Share of JV profit in the current quarter under review remained at RM4.1 million. The favourable variance was due to higher contribution from Segi Astana Sdn Bhd (SASB) by 34.5% million or RM0.6 million but negated by lower contribution by Airport Cooling Energy Supply Sdn Bhd (ACES) by 22.7% or RM0.6 million.

b) Year-on-Year**Revenue**

The Group consolidated revenue for the financial period-to-date under review amounted to RM2,193.6 million and was 8.8% or RM176.5 million higher than the corresponding period last year.

Both revenue from Malaysia and Overseas operations for the financial period-to-date under review recorded a favourable variances of 11.2% or RM167.9 million (Q2 2017: RM1,666.9 million; Q2 2016: RM1,499.0 million) and 1.7% or RM8.6 million (Q2 2017: RM526.7 million; Q2 2016: RM518.1 million) respectively against the corresponding period last year.

18. PERFORMANCE REVIEW (Cont'd.)**Year-on-Year (Cont'd.)****Malaysia operations****i) Airport operations**

Revenue from airport operations for the current financial period-to-date under review was 10.5% or RM151.9 million higher than the corresponding period in 2016 (YTD 2017: RM1,592.9 million; YTD 2016: RM1,441.0 million).

The increase in the Malaysia airport operations revenue was mainly attributed to the increase in aeronautical revenue. Aeronautical revenue increased by 7.6% or RM57.7 million (YTD 2017: RM815.2 million; YTD 2016: RM757.5 million). The main contributing factors to the increase was higher passenger growth which has resulted in higher PSC, PSSC and MARCS PSC revenue by 12.8% or RM67.2 million.

The favorable variance in Malaysia airports operations revenue was also contributed by the increase in non-aeronautical revenue. Non-aeronautical revenue increased by 13.8% or RM94.2 million (YTD 2017: RM777.7 million; YTD 2016: RM683.5 million). This improvement was driven by higher retail and rental revenues by 15.9% or RM56.7 million and 11.5% or RM37.5 million respectively.

The favourable variance was also negated by lower MARCS ERL by 13.2% or RM6.3 million and higher airline incentives by 22.9% or RM6.6 million.

The passenger traffic for airports operated by MAHB in Malaysia for the financial period-to-date under review increased by 12.3% to 47.3 million passengers as compared to the corresponding period last year of 42.1 million passengers. Both international and domestic passenger traffic increased by 15.1% and 9.4% respectively. Passenger traffic at KLIA-Main Terminal increased by 23.3% (international:24.4%, domestic: 20.1%) as well as passenger traffic at klia2 increased by 7.2% (international:7.7%, domestic:6.1%).

ii) Non-airport operations

For the current financial period-to-date under review, the businesses from the non-airport segment registered an increase in revenue of 27.6% or RM16.0 million (YTD 2017: RM74.0 million; YTD 2016: RM58.0 million).

The increase was largely contributed by revenue from the hotel, agriculture and project and repair maintenance segments which increased by 24.0% or RM8.7 million, 35.5% or RM4.9 million and 30.4% or RM2.4 million respectively.

The increase in hotel revenue was due to the higher occupancy rates (YTD 2017: 81%; YTD 2016: 65%) and higher average room rate (YTD 2017: RM400; YTD 2016: RM396).

The increase in agriculture revenue was due to the increase in average price by 19.4% (YTD 2017: RM645/MT; YTD 2016: RM540/MT) coupled with the increase in Fresh Fruit Bunches (FFB) production by 14.1% (YTD 2017: 28,624 MT; YTD 2016: 25,095 MT).

18. PERFORMANCE REVIEW (Cont'd.)**Year-on-Year (Cont'd.)****Overseas Operations****i) Airport operations**

Revenue from Overseas airport operations for the current financial period-to-date under review was 0.6% or RM2.7 million higher than the corresponding period in 2016 (YTD 2017: RM455.9 million; YTD 2016: RM453.2 million), representing revenue from ISG and LGM. The favourable variance was due to higher aeronautical by 5.7% or RM13.6 million reduced by lower non-aeronautical revenues by 5.1% or RM10.9 million.

The passenger traffic for ISGIA for the current financial period-to-date under review increased by 1.8% to 14.4 million passengers as compared to the corresponding period last year of 14.2 million passengers. Both international and domestic traffic increased by 3.6% and 0.9% respectively.

ii) Non-airport operations

For the financial period-to-date under review, the businesses from overseas non-airport segment registered an increase in revenue of 9.4% or RM6.1 million (YTD 2017: RM70.8 million; YTD 2016: RM64.7 million) mainly contributed by revenue from the project and repair maintenance of MACS ME by 13.3% or RM7.9 million (YTD 2017: RM67.1 million; YTD 2016: RM59.2 million) and negated by lower hotel revenue in LGM which decreased by 32.7% or RM1.8 million (YTD 2017: RM3.7 million; YTD 2016: RM5.5 million) respectively.

Profit before tax and zakat (PBT)

The Group recorded a PBT for the financial period-to-date under review amounted to RM192.2 million as compared to a PBT of RM55.7 million in the corresponding period last year, a favourable variance of 245.1% or RM136.5 million.

The favourable variance was contributed by the Malaysia operations but negated by higher LBT from Overseas operations.

Malaysia Operations

For the financial period-to-date under review, Malaysia operations recorded a PBT of RM367.2 million and was 97.0% or RM180.8 million higher than the corresponding period last year.

The favourable variance was mainly due to higher revenue by 11.2% or RM167.9 million, higher other income by 4.8% or RM4.6 million, lower amortisation costs by 32.8% or RM83.8 million. The favourable variance was reduced by higher operating cost of 7.8% or RM82.2 million.

18. PERFORMANCE REVIEW (Cont'd.)**Year-on-Year (Cont'd.)**

The higher costs was mainly due to higher costs of inventories sold by 16.2% or RM30.7 million, increase in user fees by 15.2% or RM24.9 million as well as repair and maintenance cost by 9.3% or RM10.2 million cushioned by lower amortisation and depreciation by 32.8% or RM83.8 million. The lower amortisation and depreciation was due to the extension of the operating period from 25 years ending 2034 to an additional 35 years ending 2069.

Overseas Operations

For the current financial period-to-date under review, ISG & LGM recorded higher LBT by 34.1% or RM45.4 million (YTD 2017: -RM178.6 million; YTD 2016: RM-133.2 million).

ISG and LGM registered an increase in LBT by 225.8% or RM40.2 million (YTD 2017: -RM58.0 million; YTD 2016:-RM17.8 million) prior to taking into account the loss of RM120.6 million (YTD 2016: -RM115.4 million) recognised primarily due to the amortisation of fair value for the concession rights owing to the fair valuation exercise on the acquisition of ISG and LGM. The unfavourable variance was mainly due to the increase in depreciation and amortisation and finance costs by 12.2% or RM17.1 million and 9.3% or RM20.0 million respectively.

Cushioned by higher PBT from MACS ME by 38.5% or RM1.0 million (YTD 2017: RM3.6 million; YTD 2016: RM2.6 million). MACS ME registered a favourable PBT variance due to higher revenue in the current financial period-to-date under review.

Share of results of Associates and Joint Ventures (JV)

Share of associate profit in the current period under review amounted to RM3.2million as compared to RM1.8 million for the corresponding period last year. The favourable variance was due to higher contribution from MFMA and KAFS by 132.4% or RM0.8 million and 55.8% or RM0.7 million respectively.

Share of JV profit in the current period under review amounted to RM7.7 million, higher than RM7.6 million recognised for the corresponding period last year. The favourable variance was due to higher contribution from SASB by 6.8% million or RM0.2 million but negated by lower contribution by Airport Cooling Energy Supply Sdn Bhd (ACES) by 3.0% or RM0.1 million.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
ECONOMIC PROFIT (EP) STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year Corresponding Period 30.06.2016 RM'000
Net Operating Profit Less Adjusted Tax (NOPLAT) computation.				
Earnings before interest and tax (EBIT*)	240,939	158,162	501,527	352,730
Adjusted Tax	(60,235)	(39,540)	(125,382)	(88,183)
NOPLAT	180,704	118,622	376,145	264,547
Economic charge computation				
Average invested capital	17,345,236	17,672,719	17,345,236	17,672,719
Weighted average cost of capital per annum	8.60%	7.44%	8.60%	7.44%
Economic Charge	372,923	328,713	745,845	657,425
Economic loss	(192,219)	(210,091)	(369,700)	(392,878)

* EBIT is earning before finance costs, interest income and share of results of associates.

The favourable variance in EBIT was mainly due to higher revenue and lower amortisation and depreciation resulting from the extension of the operating agreement.

The EP statement is disclosed on a voluntary basis. EP is a measure of value created by a business during a single period reflecting how much return a business makes over its cost of capital, that is, the difference between the Company's rate of return and cost of capital.

The Group recorded economic loss of RM174.8 million for the current quarter under review lower than RM210.1 million recorded in the corresponding quarter last year.

Similarly, the Group recorded economic loss of RM353.0 million for the financial period-to-date under review as compared to RM392.9 million recorded in the corresponding period last year.

Lower economic loss in both the current quarter and financial period-to-date under review was due to higher EBIT and higher weighted average cost of capital.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

18. PERFORMANCE REVIEW (Cont'd.)

HEADLINE KEY PERFORMANCE INDICATORS (KPIs)

The Group's financial and operational performances for the period under review against the Headline KPIs were as follows:-

	Headline KPIs for year 2017		Actual achievements 30 June 2017	
	Malaysia Operations	Overseas Operations	Malaysia Operations	Overseas Operations
i) EBITDA (RM'000)	980,028	816,604	615,586	341,716
ii) Airport Service Quality Survey Ranking	Above 40 million passenger size category: KLIA Ranking Top 12		Above 40 mppa - ranking at no.12 out of 33	

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

	INDIVIDUAL QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Immediate Preceding Quarter 31.03.2017 RM'000
Revenue	1,099,957	1,093,619
Profit before tax and zakat	92,317	99,919

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (Cont'd.)**Revenue**

The consolidated revenue of the Group for the current quarter under review increased by 0.6% or RM6.1 million as compared to the immediate preceding quarter due to higher revenue from Overseas operations by 3.8% or RM9.8 million (Q2 2017: RM268.1 million; Q1 2017: RM258.3 million) negated by lower revenue from Malaysia operations by 0.4% or RM3.7 million (Q2 2017: RM831.6 million; Q1 2017: RM835.3 million).

Malaysia Operations**a) Airport operations**

For the current quarter under review, revenue from the Malaysia airport operations was slightly lower by 0.2% or RM1.5 million as compared to the immediate preceding quarter (Q2 2017: RM795.7 million; Q1 2017: RM797.2 million).

The unfavourable variance was mainly due to the decrease in aeronautical revenue by 1.5% or RM6.2 million (Q2 2017: RM404.5 million; Q1 2017: RM410.7 million). The main contributing factors to the decrease in revenue was the decrease in MARCS ERL by 25.0% or 5.9 million as well as landing and parking revenue by 0.6% or RM0.5 million and 5.0% or RM0.2 million respectively.

The unfavourable variance was cushioned by the increase in non-aeronautical revenue by 1.2% or RM4.6 million (Q2 2017: RM391.2 million; Q1 2017: RM386.6 million) mainly attributable to the retail and rental segment which increased by 1.8% or RM3.6 million and 0.5% or RM1.0 million respectively.

The passenger traffic for airports operated by MAHB in Malaysia for the current quarter under review increased by 2.1% as compared to the immediate preceding quarter, in which both international and domestic passenger traffic increased by 2.4% and 1.7% respectively. Passenger traffic increased at KLIA-Main Terminal by 0.4% (international: +2.2%, domestic: -5.1%) and klia2 by 2.7% (international: +2.4%, domestic: +3.3%).

b) Non-airport operations

For the current quarter under review, non-airport operations revenue in Malaysia was lower by 5.8% or RM2.2 million as compared to the immediate preceding quarter (Q2 2017: RM35.9 million; Q1 2017: RM38.1 million).

The unfavourable variance in non-airport operations revenue was mainly due to the lower revenue recorded by the agriculture and hotel segments by 21.9% or RM2.3 million and 6.0% or RM1.4 million while higher project and repair maintenance by 34.1% or RM1.5 million.

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (Cont'd.)

The decrease in agriculture revenue was due to lower in average price by 18.2% (Q2 2017: RM579.14/MT; Q1 2017: RM708.00/MT) and lower in Fresh Fruit Bunches (FFB) production by 4.1%% (Q2 2017: 13,967.31 MT; Q1 2017: 14,565.00 MT).

The decrease in hotel revenue was due to the lower occupancy rates (Q2 2017: 78.0%; Q1 2017: 88.1%).

Overseas Operationsa) Airport operations

Revenue from ISG & LGM for the current quarter under review amounted to RM234.5 million, was 6% or RM13.2 million higher than the immediate preceding quarter of RM221.3 million mainly due to higher passenger numbers at ISGIA.

The increase in revenue was mainly from aeronautical revenue by 17.6% or RM20.4 million (Q2 2017: RM136.5 million; Q1 2017: RM116.1 million) due to higher PSC revenue by 18.2% or RM16.6 million, which was negated by a decrease in non-aeronautical revenue by 6.9% or RM7.3 million (Q2 2017: RM98.0 million; Q1 2017: RM105.3 million).

The passenger traffic for ISGIA for the current quarter under review increased by 19.3% to 7.8 million passengers. Both the international and domestic passenger traffic increased by 19.9% and 19.0% respectively.

b) Non-airport operations

For the current quarter under review, the businesses from the overseas non-airport segment registered a decrease in revenue of 8.4% or RM3.1 million (Q2 2017: RM33.8 million; Q1 2017: RM36.9 million) mainly contributed by revenue from the project and repair maintenance of MACS ME which decreased by 8.8% or RM3.1 million (Q2 2017: RM32.0 million; Q1 2017: RM35.1 million).

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (Cont'd.)**Profit before tax and zakat**

The Group recorded a PBT of RM92.3 million in the current quarter under review, lower by RM7.6 million as compared to the PBT of RM99.9 million recorded in the immediate preceding quarter.

Malaysia Operations

For the current quarter under review, Malaysia operations recorded a decrease in PBT by 16.6% or RM33.3 million (Q2 2017: RM167.0 million; Q1 2017: RM200.3 million). The unfavourable variance was mainly due to higher total cost by 4.2% or RM29.1 million and lower other income by 3.6% or RM1.9 million and lower revenue by 0.4% or RM3.7 million.

The significant increase in total costs was mainly due to the increase in staff costs by 11.1% or RM17.2 million, repair and maintenance costs by 2.8% or RM1.6 million, administrative costs by 19.8% or RM6.4 million and retail overhead by 56.8% or RM5.7 million.

Overseas Operations

For the current quarter under review, ISG & LGM recorded a decrease in LBT of 31.4% or RM33.3 million (Q2 2017: -RM72.7 million; Q1 2017: -RM106.0 million). The favourable variance was mainly due to higher revenue and lower total costs by 5.9% or RM13.2 million and 5.9% or RM19.7 million respectively. The decrease in costs were attributed to the decrease in depreciation and amortisation and finance cost costs by 9.9% or RM11.8 million and 8.4% or RM10.3 million respectively.

ISG and LGM registered a LBT of RM13.5 million, a favourable variance of 69.7% or RM31.0 million as against a LBT of RM44.5 million in the immediate preceding quarter prior taking into account the loss of RM59.2 million (Q1 2017: RM61.4 million) recognised primarily due to the amortisation of fair value for the concession rights owing to the fair valuation exercise on the acquisition of ISG and LGM.

MACS ME recorded a LBT of 135.7% or RM7.6 million (Q2 2017: -RM2.0 million; Q1 2017: RM5.6 million).

19. MATERIAL CHANGE IN PROFIT BEFORE TAX AND ZAKAT OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER (Cont'd.)Share of results of Associates and JV

Share of associate profit in the current quarter under review amounted to RM2.0 million as compared to RM1.2 million for the immediate preceding quarter. The favourable variance was due to higher contribution from KAFS and MFMA by RM0.2 million and RM0.6 million respectively.

Share of JV profit in the current quarter under review amounted to RM4.1 million as compared to RM3.6 million for the immediate preceding quarter. The favourable variance was due to higher contribution from SASB by RM0.7 million negated by lower from ACES by RM0.2 million.

20. COMMENTARY ON PROSPECTS

MAHB's network of airports (including Istanbul SGIA) recorded 61.7million passengers in YTD 2017, representing a growth of 9.5% over YTD 2016. International traffic improved by 13.0% while domestic passengers traffic increased by 6.8%. Correspondingly, aircraft movements improved by 3.1% with international and domestic aircraft movements increasing by 4.5% and 2.3% respectively.

Malaysia Operations

Airports in Malaysia registered a 12.3% growth with 47.3 million passenger traffic in YTD 2017. Passenger numbers were closely matched between international and domestic with 23.7 million and 23.6 million passengers, representing growth of 15.1% and 9.4% respectively. Aircraft movements grew by 5.8% over the same period with international movements improving by 8.1% and domestic movements growing by 4.4% over YTD 2016. Overall average load factors improved to 76.3%, an increase by 3.2 percentage points compared to YTD 2016.

Overseas Operations

Passenger traffic in Istanbul SGIA improved slightly in YTD 2017. Total passenger traffic stood at 14.4 million, a 1.8% improvement over YTD 2016. International traffic increased by 3.6% with 4.7 million passengers while domestic increased by 0.9% with 9.7 million. While geopolitical concerns remain over in the Middle-East region, the resilient passenger traffic numbers for Istanbul SGIA is expected to further improve over the summer months.

The Directors cautiously expect the performance for the Group for the financial year ending 31 December 2017 to be better than the previous year due to the following:

- a) The improvement in passenger growth is driven by a new level of growth contributed by visa relaxation measures for China and India, new additions in the local travelling population, increase in Umrah travel, competitive fares as well as favourable exchange rate for foreign tourists.
- b) The increase in demand was adequately supported by increase in airlines' seat capacity. Seat capacity supply estimates for the second half of 2017 indicate a 6% growth over the second half of 2016, setting the tone for a solid year for passenger growth.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

21. PROFIT FORECAST

This note is not applicable, as the Group did not publish any profit forecast.

22. TAXATION AND ZAKAT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year Corresponding Period 30.06.2016 RM'000
Current tax	28,354	976	75,715	33,136
Deferred taxation	(7,031)	3,203	(17,496)	(7,251)
Zakat	4,466	4,740	4,466	4,740
	<u>25,789</u>	<u>8,919</u>	<u>62,685</u>	<u>30,625</u>

23. SALE OF PROPERTIES

There were no sales of properties since 31 December 2016.

24. INVESTMENTS IN QUOTED SECURITIES

There were no investments in quoted securities during the current quarter and financial period-to-date under review.

25. STATUS OF CORPORATE PROPOSALS

There are no ongoing corporate proposals announced by the Group but not completed as at 28 July 2017 being a date not earlier than 7 days from the date of issuance of the quarterly report.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

26. BORROWINGS AND DEBT/EQUITY SECURITIES

	As at 30.06.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
Short term borrowings		
Secured:		
Senior Term Facility	152,850	193,638
	<u>152,850</u>	<u>193,638</u>
Long term borrowings		
Unsecured:		
Islamic Medium Term Notes (IMTN)	3,100,000	3,100,000
Senior Sukuk	250,000	250,000
Secured:		
Senior Term Facility	2,116,249	2,036,142
	<u>5,466,249</u>	<u>5,386,142</u>
	<u>5,619,099</u>	<u>5,579,780</u>

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at 31.12.2016 RM'000 Audited	Cash Flows	Non-cash changes		As at 30.06.2017 RM'000 Unaudited
			Foreign Exchange Movements	Fair Value Changes	
Unsecured:					
Islamic Medium Term Notes (IMTN)	3,100,000	-	-	-	3,100,000
Senior Sukuk	250,000	-	-	-	250,000
Secured:					
Senior Term Facility	2,229,780	(24,500)	85,034	(21,215)	2,269,099
Derivative financial instruments	46,782	-	885	(2,797)	44,870
	<u>5,626,562</u>	<u>(24,500)</u>	<u>85,919</u>	<u>(24,012)</u>	<u>5,663,969</u>

28. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 30 June 2017.

29. CHANGES IN MATERIAL LITIGATION

There were no other material suits against the Group and its subsidiaries since 31 December 2016 other than those disclosed in note 14.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

30. DIVIDEND PAYABLE

The Directors recommend an interim dividend of approximately 5 sen per ordinary share totalling RM82.96 million in respect of the financial year ending 31 December 2017. The interim dividend will be paid on 25 August 2017 to shareholders registered on the Company's Register of Members at the close of business on 15 August 2017. An interim dividend of 4 sen per ordinary share was declared by the Directors for the corresponding quarter ended 30 June 2016.

31. EARNINGS PER SHARE (EPS)

Basic EPS

Basic earnings per share amounts are calculated by dividing the profit for the quarter attributable to owners of the parent by the weighted average number of ordinary shares in issue during the current quarter and financial period-to-date under review.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year Corresponding Period 30.06.2016 RM'000
Profit from continuing operations attributable to owners of the Company	66,528	8,593	129,549	25,096
Distribution to Perpetual Sukuk Holder	(28,514)	(28,671)	(28,514)	(28,671)
Net profit from continuing operations attributable to owners of the Company	38,014	(20,078)	101,035	(3,575)
Weighted average number of ordinary shares in issue ('000)	1,659,192	1,659,192	1,659,192	1,659,192
Basic earning per share for (sen):				
Profit per share attributable to owners of the Company (sen)	2.29	(1.21)	6.09	(0.22)

Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. The time weighing factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

32. SUPPLEMENTAL EXPLANATORY NOTE ON DISCLOSURE OF REALISED AND UNREALISED PROFITS

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	3,924,889	3,919,385
- Unrealised	70,528	78,402
	<u>3,995,417</u>	<u>3,997,787</u>
Total share of retained earnings /(accumulated losses) from associate companies:		
- Realised	58,247	58,247
- Unrealised	4,572	(4,204)
	<u>62,819</u>	<u>54,043</u>
Total share of retained earnings /(accumulated losses) from jointly controlled entities:		
- Realised	17,952	17,952
- Unrealised	(12,897)	(10,441)
	5,055	7,511
Less: Consolidation adjustments	<u>(1,738,621)</u>	<u>(1,738,154)</u>
Total retained earnings as per financial statements	<u>2,324,670</u>	<u>2,321,187</u>

33. AUTHORISATION FOR ISSUE

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors.

BY ORDER OF THE BOARD

Sabarina Laila Dato' Mohd Hashim

Company Secretary

Sepang

31 July 2017