

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Comprehensive Income

In RM'000	Note	3 months ended		6 months ended	
		30.6.2017 (unaudited)	30.6.2016 (unaudited)	30.6.2017 (unaudited)	30.6.2016 (unaudited)
Revenue		756,522	389,191	1,281,373	825,206
Expenses		(706,815)	(340,285)	(1,183,284)	(751,202)
Other operating income	13	15,053	60,608	32,255	100,089
Profit from operations		64,760	109,514	130,344	174,093
Finance costs		(37,379)	(44,396)	(72,559)	(91,125)
Share of results of associates		4,216	6,676	1,780	7,032
Share of results of joint ventures		2,582	1,968	3,879	2,415
Profit before tax		34,179	73,762	63,444	92,415
Income tax expense	14	(8,117)	(16,696)	(16,978)	(21,889)
Profit for the financial year		26,062	57,066	46,466	70,526
Other comprehensive income for the financial period, net of tax:					
Item that may be reclassified subsequent to comprehensive income					
- currency translation differences		(77)	44	219	(36)
- share of associate's loss on re-measurement of financial derivatives		(206)	(226)	(127)	(1,462)
Total comprehensive income for the financial period, net of tax		25,779	56,884	46,558	69,028
Profit for the financial period attributable to:					
Equity holders of the Company		23,371	45,504	33,833	49,886
Non-controlling interests		2,691	11,562	12,633	20,640
		26,062	57,066	46,466	70,526
Total comprehensive income for the financial period attributable to:					
Equity holders of the Company		23,088	45,322	33,925	48,388
Non-controlling interests		2,691	11,562	12,633	20,640
		25,779	56,884	46,558	69,028
Earnings per share attributable to the ordinary equity holders of the Company (sen)					
Basic and diluted	22	1.07	2.44	1.56	2.73

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Financial Position

In RM'000	As at 30.6.2017 (unaudited)	As at 31.12.2016 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	477,855	437,823
Investment properties	541,082	520,077
Land held for property development	1,539,044	1,767,639
Service concession asset	1,155,821	1,176,347
Associates	291,302	289,320
Joint ventures	243,252	12,545
Long term receivable	4,532	34,497
Available for sale financial assets	577	577
Intangible assets	249,917	252,868
Deferred tax assets	105,110	96,588
	<u>4,608,492</u>	<u>4,588,281</u>
Current assets		
Inventories	126,204	57,521
Properties development costs	581,319	759,287
Trade and other receivables	1,163,453	1,037,144
Amount due from customers on contracts (see Note)	1,173,394	297,744
Amount due from associates and joint ventures	17,177	19,981
Tax recoverable	17,890	22,217
Financial assets at fair value through profit or loss	1,997	2,255
Deposits, cash and bank balances	1,125,860	722,157
	<u>4,207,294</u>	<u>2,918,306</u>
TOTAL ASSETS	<u>8,815,786</u>	<u>7,506,587</u>

Note - mainly consists of the construction costs for a privatization project as stated in Note 15(c).

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REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Financial Position

In RM'000	As at 30.6.2017 (unaudited)	As at 31.12.2016 (audited)
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	2,583,086	2,144,039
Share premium	-	372,391
Retained earnings	377,894	344,311
Other reserves	62,498	65,080
	<u>3,023,478</u>	<u>2,925,821</u>
Non-controlling interests	111,854	99,221
Total equity	<u>3,135,332</u>	<u>3,025,042</u>
Non-current liabilities		
Senior and Junior Sukuk	1,058,488	1,058,477
Long term borrowings	2,398,820	1,072,304
Long term liabilities	17,732	17,850
Government grant	80,186	62,971
Deferred tax liabilities	78,628	80,368
	<u>3,633,854</u>	<u>2,291,970</u>
Current liabilities		
Trade and other payables	1,351,867	1,340,692
Current tax liabilities	32,679	42,552
Short term borrowings	662,054	806,331
	<u>2,046,600</u>	<u>2,189,575</u>
Total liabilities	<u>5,680,454</u>	<u>4,481,545</u>
TOTAL EQUITY AND LIABILITIES	<u><u>8,815,786</u></u>	<u><u>7,506,587</u></u>
Net assets per share attributable to the equity holders of the Company (sen)	<u>137.9</u>	<u>136.5</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

MALAYSIAN RESOURCES CORPORATION BERHAD

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REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Cash Flows

In RM'000	6 months ended	
	30.6.2017	30.6.2016 (unaudited)
Operating activities		
Cash receipts from customers	746,905	1,244,779
Cash paid to suppliers and employees	(1,472,672)	(1,093,407)
Cash (used in)/generated from operations	(725,767)	151,372
Bank services charges paid	(605)	(1,294)
Taxes paid	(28,646)	(49,471)
Net cash (used in)/generated from operating activities	(755,018)	100,607
Investing activities		
Acquisition of equity investments	-	(70)
Net proceeds from divestment of equity investments	6,856	8,577
Dividend received	8,592	11,179
Proceeds from sale of investment property	-	87,168
Non-equity investments	3,846	(552)
Net cash generated from investing activities	19,294	106,302
Financing activities		
Proceeds from issue of shares capital	63,545	107,894
Dividend paid to equity holders	-	(71,476)
Proceeds from borrowings	2,094,370	266,278
Repayment of borrowings	(915,347)	(506,099)
Proceed from Government grant	17,215	13,961
Interest paid	(89,816)	(97,426)
Repayment of advances to non controlling interest (Placement)/withdrawal of restricted cash	(30,540) (481,243)	- 1,438
Net cash generated from/(used in) financing activities	658,184	(285,430)
Net decrease in cash and cash equivalent	(77,540)	(78,521)
Cash and cash equivalents at beginning of the financial period	592,765	339,229
Cash and cash equivalent at end of financial period	515,225	260,708

For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprised the following:

Bank balances and deposits	1,125,860	441,548
Less: Bank balances and deposits held as security value	(610,635)	(180,840)
	<u>515,225</u>	<u>260,708</u>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016.

MALAYSIAN RESOURCES CORPORATION BERHAD

(Incorporated in Malaysia - Company No.7994-D)

REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Changes in Equity

In RM'000	Attributable to equity holders of the Company						Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	
At 1 January 2017	2,144,039	372,391	65,080	344,311	2,925,821	99,221	3,025,042
Comprehensive income							
- Profit for the financial period	-	-	-	33,833	33,833	12,633	46,466
Other comprehensive income/(loss)							
- Currency translation differences	-	-	219	-	219	-	219
- Share of associate's loss on re-measurement of financial derivatives	-	-	(127)	-	(127)	-	(127)
- Post-employment benefit obligations	-	-	666	(666)	-	-	-
Total comprehensive income	-	-	758	33,167	33,925	12,633	46,558
Transactions with owners							
Employees' share option scheme							
- options granted	-	-	187	-	187	-	187
- options exercised	66,656	-	(3,111)	-	63,545	-	63,545
- options lapsed	-	-	(416)	416	-	-	-
Total transactions with owners	66,656	-	(3,340)	416	63,732	-	63,732
Transition to no-par value regime *	372,391	(372,391)	-	-	-	-	-
At 30 June 2017 (unaudited)	2,583,086	-	62,498	377,894	3,023,478	111,854	3,135,332

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorized share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM372,391,468.71 for the purposes as set out in Section 618(3) of the Act. There is no impact of ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

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REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Changes in Equity

Other reserves

In RM'000	Revaluation <u>reserve</u>	Other <u>reserve</u>	Currency translation <u>reserve</u>	Share option <u>reserve</u>	Warrants <u>reserve</u>	Retirement benefit <u>reserve</u>	<u>Total</u>
At 1 January 2017	28,090	1,151	642	9,962	28,355	(3,120)	65,080
Other comprehensive income/(loss)							
- Currency translation differences	-	-	219	-	-	-	219
- Share of associate's loss on re-measurement of financial derivatives	-	(127)	-	-	-	-	(127)
- Post-employment benefit obligations	-	-	-	-	-	666	666
Total other comprehensive Income/(loss)	-	(127)	219	-	-	666	758
Transactions with owners							
Employees' share option scheme							
- options granted	-	-	-	187	-	-	187
- options exercised	-	-	-	(3,111)	-	-	(3,111)
- options lapsed	-	-	-	(416)	-	-	(416)
	-	-	-	(3,340)	-	-	(3,340)
At 30 June 2017 (unaudited)	28,090	1,024	861	6,622	28,355	(2,454)	62,498

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REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company

In RM'000	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2016	1,786,591	327,950	62,453	83,153	2,260,147	52,624	2,312,771
Comprehensive income							
- Profit for the financial year	-	-	-	267,360	267,360	51,737	319,097
Other comprehensive income/(loss)							
- Currency translation differences	-	-	6	-	6	-	6
- Share of associate's loss on re-measurement of financial derivatives	-	-	(1,017)	-	(1,017)	-	(1,017)
- Post-employment benefit obligations	-	-	(258)	258	-	-	-
Total comprehensive income/(loss)	-	-	(1,269)	267,618	266,349	51,737	318,086
Transactions with owners							
Issuance of:							
- ordinary shares	357,318	44,385	-	-	401,703	-	401,703
Acquisition of additional equity interest in subsidiaries	-	-	-	(7,106)	(7,106)	23	(7,083)
Employees' share option scheme							
- options granted	-	-	4,559	-	4,559	-	4,559
- options exercised	130	56	(17)	-	169	-	169
- options lapsed	-	-	(646)	646	-	-	-
Dividends paid for financial year ended 31 December 2016	-	-	-	-	-	(5,163)	(5,163)
Total transactions with owners	357,448	44,441	3,896	(6,460)	399,325	(5,140)	394,185
At 31 December 2016 (audited)	2,144,039	372,391	65,080	344,311	2,925,821	99,221	3,025,042

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Consolidated Statement of Changes in Equity

Other reserves

In RM'000	Revaluation reserve	Other reserve	Currency translation reserve	Share option reserve	Warrants reserve	Retirement benefit reserve	Total
At 1 January 2016	28,090	2,168	636	6,066	28,355	(2,862)	62,453
Other comprehensive income/(loss)							
- Currency translation differences	-	-	6	-	-	-	6
- Share of associate's loss on re-measurement of financial derivatives	-	(1,017)	-	-	-	-	(1,017)
- Post-employment benefit obligations	-	-	-	-	-	(258)	(258)
Total other comprehensive income/(loss)	-	(1,017)	6	-	-	(258)	(1,269)
Transactions with owners							
Employees' share option scheme							
- options granted	-	-	-	4,559	-	-	4,559
- options exercised	-	-	-	(17)	-	-	(17)
- options lapsed	-	-	-	(646)	-	-	(646)
	-	-	-	3,896	-	-	3,896
At 31 December 2016 (audited)	28,090	1,151	642	9,962	28,355	(3,120)	65,080

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016

MALAYSIAN RESOURCES CORPORATION BERHAD

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REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Notes to the Interim Report

1. Basis of preparation

This financial report has been prepared in accordance with FRS134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2016.

The accounting policies and methods of computation adopted for the financial report are consistent with those adopted for the annual financial statements for the financial year ended 31 December 2016.

There were no new/revised accounting standards, amendments to standards and interpretations that came into effect during the financial period that significantly impacted the Group.

The Group includes transitioning entities and have elected to continue to apply FRS during the financial year. The Group will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards (MFRS) for the financial year ending 31 December 2018. In adopting the new framework, the Group will be applying MFRS 1 "First-time Adoption of MFRS".

2. Audit report of the preceding annual financial statements

The audit report of the Group's preceding annual financial statements was not subject to any qualification.

3. Seasonal or cyclical fluctuations

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial quarter under review.

4. Items of unusual nature, size or incidence

On 15 June 2017, the Company's 51% owned subsidiary, Metro Spectacular Sdn Bhd entered into a sale and purchase agreement with Datuk Bandar Kuala Lumpur for the acquisition of there (3) parcels of land measuring approximately 40,720.5 square metres in total, all situated in the District of Kuala Lumpur for a total cash consideration of RM335.5 million.

The proposed land acquisition is expected to be completed by the 4th quarter of 2017.

There were no other items of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flows in the financial quarter under review.

5. Material changes in estimates of amounts reported

There were no changes in estimates of amounts reported in the prior financial year that would have a material effect on the results of the financial year under review.

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Notes to the Interim Report

6. Debt and equity securities

During the financial quarter under review, there were 40,192,550 new ordinary shares issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at exercise prices ranging between RM1.30 and RM1.61 per share as part of the Company's long term plan to incentivise and retain employees.

Other than the above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial quarter under review.

7. Dividends

During the Company's 46th Annual General Meeting held on 6 June 2017, the shareholders of the Company approved the payment of a first and final single tier dividend in respect of the financial year ended 31 December 2016 of 2.75% or 2.75 sen per ordinary share, amounted to RM60,296,320.20. The dividend was paid on 18 August 2017.

There were no dividends declared or paid by the Company for the financial quarter under review.

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REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Notes to the Interim Report

8. Segmental reporting

6 months ended 30.6.2017

	Property Development & Investment - Note RM'000	Engineering, Construction & Environment RM'000	Infrastructure RM'000	Facilities Management & Parking RM'000	Others RM'000	Total RM'000
Total revenue	489,689	880,876	57,075	33,962	53,716	1,515,318
Inter segment revenue	(3,238)	(181,985)	-	(4,363)	(44,359)	(233,945)
External revenue	486,451	698,891	57,075	29,599	9,357	1,281,373
Segment profit	79,806	15,283	29,008	10,836	519	135,452
Unallocated corporate expenses						(17,180)
Finance income						12,072
Finance costs						(72,559)
Share of results of associates and joint ventures	2,255	3,404	-	-	-	5,659
Profit before tax						63,444

Note	Property Development & Investment		
	Malaysia RM'000	Australia RM'000	Total RM'000
Total revenue	350,128	139,561	489,689
Inter segment revenue	(3,238)	-	(3,238)
External revenue	346,890	139,561	486,451
Segment profit	45,047	34,759	79,806

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Notes to the Interim Report

8. Segmental reporting (continued)

6 months ended 30.6.2016

	Property Development & Investment RM'000	Engineering, Construction & Environment RM'000	Infrastructure RM'000	Facilities Management & Parking RM'000	Others RM'000	Total RM'000
Total revenue	382,725	590,262	59,287	51,111	71,480	1,153,865
Inter segment revenue	(5,972)	(257,710)	(2,075)	(12,908)	(49,994)	(328,659)
External revenue	376,753	332,552	57,212	37,203	21,486	825,206
Segment profit	157,750	2,969	32,676	12,029	(18,450)	186,974
Unallocated corporate expenses						(17,489)
Finance income						4,608
Finance costs						(91,125)
Share of results of associates and joint ventures	6,703	2,331	413	-	-	9,447
Profit before tax						92,415

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Notes to the Interim Report

9. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without any material amendments from the previous financial statements.

10. Material events subsequent to the financial period

- (a) On 14 August 2017, the Company received a Letter of Acceptance from Turnpike Synergy Sdn Bhd to accept the Company's offer to undertake and complete package CB2: Construction and Completion of Mainline and Other Associated Works from CH.12453.000 to CH.14342.371 under the "Projek Penswastaaan Lebuhraya Bertingkat Damansara – Shah Alam".

The contract price of the works package is RM369 million and the duration of the contract is 26 months. The works is anticipated to commence by end of August 2017 and to be completed by October 2019.

- (b) On 15 August 2017, the Company received a letter of Acceptance from Tenaga Nasional Berhad to award the construction and completion of Balai Islam and staff quarters at part of Lot 490 and lot 6266, Jalan Bangsar, Kuala Lumpur ("The Contract").

The Contract sum is RM40,000,799.90 and the duration of the Contract is 15 months from the date of site possession.

Other than the above, there were no other material events subsequent to the end of the financial quarter ended 30 June 2017 that have not been reflected in this report.

11. Changes in the composition of the Group

On 12 January 2017, the Company entered into a conditional Share Sale Agreement with Crystal Clear Cleaning Sdn Bhd for the disposal of its entire equity interest in Semasa Services Sdn Bhd, a wholly owned subsidiary of the Company, for a total cash consideration of RM4.8 million ("Purchase Price") with a provision for adjustment to the Purchase Price.

The disposal was completed on 5 April 2017. The final Purchase Price was RM5.7 million with a gain on disposal of RM3.8 million.

Other than the above, there were no other changes in the composition of the Group for the financial quarter under review.

12. Contingent liabilities or contingent assets

The Group's contingent liabilities, which comprise trade and performance guarantees, amounted to RM279.9 million as at 30 June 2017 (compared to RM248.5 million as at 30 June 2016). There are no material contingent assets to be disclosed.

13. Other operating income

There were no items of an unusual nature in the other operating income in the financial quarter under review except for the disposal gain of RM3.8 million stated in Note 11 above.

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Notes to the Interim Report

14. Income tax expenses

In RM'000	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
In Malaysia				
Taxation				
- current period	(17,430)	(23,671)	(30,904)	(33,849)
- over/(under) provision in prior years	3,680	(393)	3,580	(148)
Deferred tax	5,633	7,368	10,346	12,108
	<u>(8,117)</u>	<u>(16,696)</u>	<u>(16,978)</u>	<u>(21,889)</u>

The effective tax rate of 29.4% for the current financial period is higher than the statutory rate of taxation, mainly due to non-availability of group relief for losses of certain subsidiaries that could be utilized to set-off against the taxable profits of certain subsidiaries and certain expenses being non-tax deductible.

The deferred tax was mainly due to the net impact from the reversal of deferred tax liabilities and some non-deductible temporary differences, as well as recognition of unabsorbed tax losses and deductible timing differences as deferred tax assets.

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15. Corporate Proposals

- (a) On 14 August 2014, the Company entered into a shareholders' agreement with Kwasa Land Sdn Bhd and Kwasa Sentral Sdn Bhd ("KSSB") for the subscription of 700,000 new ordinary shares of RM1.00 each, representing a 70% equity interest in KSSB for a cash subscription payment of approximately RM816.6 million ("Subscription"). KSSB is a special purpose vehicle incorporated to undertake the mixed development of 64.07 acres of land ("MX-1 Land") identified to be the town centre of the proposed Kwasa Damansara Township.

The Subscription was approved by the Company's shareholders at the Extraordinary General Meeting held on 12 February 2015.

On 8 August 2016, a supplemental shareholders' agreement was signed to, amongst others, allow the Parties to mutually agree on a suitable date to be the unconditional date (which was to be a date falling within six (6) months after the date of fulfilment of the conditions precedent).

On 11 November 2016, the Company announced that all the conditions precedent as set out in the shareholders' agreement and supplemental shareholders' agreement had been fulfilled.

On 9 May 2017, a second supplemental shareholders' agreement was signed to vary certain terms of the shareholders' agreement and supplemental shareholders' agreement. The balance subscription payment to be paid upon the unconditional date was agreed to be approximately RM737.9 million as the MX-1 Land size was 64.3 acres pursuant to the subdivision and the number of ordinary shares to be issued by KSSB remained the same. In addition, the Parties mutually agreed a suitable date to be the unconditional date which shall be a date occurring no later than 29 December 2017 or any other date as may be agreed upon in writing by the Parties.

The Subscription is expected to be completed by the 4th quarter of 2017.

- (b) On 17 May 2017, the Company announced to undertake a proposed rights issue. On 11 July 2017, Bursa Malaysia Securities Berhad had vide its letter dated 10 July 2017, granted its approval for the Company to undertake a renounceable right issue of up to 2,857,198,698 new ordinary shares in MRCB together with up to 571,439,740 free detachable warrants, on the basis of one (1) Rights Share for every one (1) existing MRCB Share held and one (1) Rights Warrant for every five (5) Rights Shares subscribed for, on an entitlement date to be determined later.

The above proposal was approved by the Company's shareholders at the Extraordinary General Meeting held on 28 July 2017 and is expected to be completed in the 4th quarter of 2017.

Notes to the Interim Report

15. Corporate Proposals (continued)

- (c) On 21 April 2017, Rukun Juang Sdn Bhd (“RJSB”), the 85% equity interest owned subsidiary of the Company entered into a second supplementary agreement to the Privatisation Agreement with the Government of Malaysia, represented by the Ministry of Youth and Sport and Syarikat Tanah dan Harta Sdn Bhd to reduce the Contract Sum from RM1,631,880,000 to RM1,343,257,764.32. The Privatization Agreement is related to the refurbishment and upgrading of facilities located at the National Sports Complex in Bukit Jalil (“Privatisation Project”). The Government will cause the Federal Lands Commissioner to transfer three (3) parcels of leasehold land located in Bukit Jalil, Kuala Lumpur measuring approximately 76.14 acres (“Lands”) as consideration for RJSB undertaking the Privatisation Project. The Contract Sum is reduced to be commensurate with the reduction in the size of the Lands, as well as revised works packages under Project 1 and Project 2 respectively.

Project 1 was completed at the end of July 2017, whilst the construction commencement date for Project 2 shall be on a date to be mutually agreed by the Government and RJSB.

- (d) On 31 May 2017, the Company, RJSB, Tanjung Wibawa Sdn Bhd (“TWSB”), a wholly owned subsidiary of Employees Provident Fund Board and the Company’s 85% owned subsidiary, Bukit Jalil Sentral Property Sdn Bhd (“JV Co”) entered into a subscription and shareholders’ agreement which entailed the following:-

- (i) RJSB and TWSB will co-invest in a special purpose company, namely Bukit Jalil Sentral Property Sdn Bhd, for the purpose of jointly developing the Lands; and
- (ii) the proposed disposal by RJSB of the Lands to JV Co for an aggregate consideration of up to RM1,426,163,112

(collectively referred to as the “Proposed Joint Venture”).

The Proposed Joint Venture is expected to be implemented by the 1st quarter of 2018.

Other than the above, there were no corporate proposals announced that are yet to be completed at the date of this report.

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16. Group borrowings

The tenure of the Group borrowings classified as long and short term were as follows:

As at 2 nd quarter ended 2017	Long term	Short term	Total borrowings
RM'000	RM denomination	RM denomination	RM denomination
Secured	3,457,308	412,054	3,869,362
Unsecured	-	250,000	250,000

As at 2 nd quarter ended 2016	Long term		Short term	Total borrowings	
RM'000	Foreign denomination [^]	RM denomination	RM denomination	Foreign denomination [^]	RM denomination
Secured	49,765	2,467,234	376,822	49,765	2,844,056
Unsecured	-	-	253,874	-	253,874

[^] AUD 16,769,981 @ 2.9675 with weighted average interest rate of 5.06% per annum as at 30 June 2016.

The increase in Group's borrowings was mainly due to the new long term loan of RM993 million to finance the refurbishment and upgrading of facilities located at the National Sports Complex in Bukit Jalil and additional drawdown of project loans to finance the Group's on-going property development and construction projects.

As at 30 June 2017, the borrowings consist mainly of:

Secured long term loans

- (a) The Senior and Junior Sukuk of RM1,059 million which were obtained for the purpose of financing the construction of the Eastern Dispersal Link toll road;
- (b) Sukuk Murabahah Programme totaling RM741 million for the Group's working capital purposes;
- (c) Project loan of RM993 million as stated above; and
- (d) Other project loans of RM664 million for the Group's on-going property development and construction projects;

Secured and unsecured short term loans

- (e) Project loans totaling RM311 million; and
- (f) Short term borrowings and long term loans which are due within the next 12 months of RM101 million and RM250 million respectively for working capital purposes.

The Group's borrowings as at 30 June 2017 were denominated in Ringgit Malaysia. The weighted average interest rate as at 30 June 2017 was 5.62% per annum (30/6/2016: 5.53%).

The Group's Net Gearing as at 30 June 2017 was 0.96 times.

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17. Material litigation

There is no material litigation arising from the Group's operational transactions at the date of this report.

The Group has filed some claims, some of which are counter claims, amounting to approximately RM6.0 million arising from its operational transactions.

18. Financial review for current quarter and financial year to date

	Individual Period (2 nd quarter)		Changes (Amount /%)	Cumulative Period		Changes (Amount /%)
	Current Year Quarter	Preceding Year Quarter		Current Year To-date	Preceding Year Period	
	30/6/2017	30/6/2016		30/6/2017	30/6/2016	
	RM'000	RM'000	RM'000/ %	RM'000	RM'000	RM'000/ %
Revenue	756,522	389,191	367,331/ 94%	1,281,373	825,206	456,167/ 55%
Operating profit	64,760	109,514	(44,754)/ (41%)	130,344	174,093	(43,749)/ (25%)
Profit before interest and tax	59,630	107,267	(47,637)/ (44%)	118,273	169,485	(51,212)/ (30%)
Profit before tax	34,179	73,762	(39,583)/ (54%)	63,444	92,415	(28,971)/ (31%)
Profit after tax	26,062	57,066	(31,004)/ (54%)	46,466	70,526	(24,060)/ (34%)
Profit attributable to equity holders of the Company	23,371	45,504	(22,133)/ (49%)	33,833	49,886	(16,053)/ (32%)

In the first half of the financial period ended 30 June 2017, the Group recorded revenue and profit before tax of RM1.28 billion and RM63.4 million respectively, compared to RM825.2 million and RM92.4 million respectively recorded in the preceding corresponding period ended 30 June 2016. The 55% higher revenue in the financial period under review was mainly derived from the engineering and construction division.

The profit before tax, excluding disposal gains of RM44.4 million arising from the disposal of non-core assets in the corresponding period in 2016, rose 32% to RM63.4 million. This was mainly attributable to lower finance costs charged and higher finance income generated coupled with more effective cost management of the Group's working capital. The Group's residential property development projects, Sentral Residences and Easton Burwood in Melbourne, Australia, which were fully constructed are the main contributors to the Group's profit.

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18. Financial review for current quarter and financial year to date (continued)

Segmental Breakdown of Revenue & Profit/(Loss) – Note 8*

	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Property development & investment	243,902	223,945	486,451	376,753
Engineering, construction & environment	467,648	103,490	698,891	332,552
Infrastructure	28,569	29,074	57,075	57,212
Facilities management & parking	12,725	19,227	29,599	37,203
Others	3,678	13,455	9,357	21,486
	<u>756,522</u>	<u>389,191</u>	<u>1,281,373</u>	<u>825,206</u>
<u>Profit/(Loss)</u>				
Property development & investment	29,667	90,435	79,806	157,750
Engineering, construction & environment	14,029	1,832	15,283	2,969
Infrastructure	11,538	19,536	29,008	32,676
Facilities management & parking	7,087	4,619	10,836	12,029
Others	5,061	(1,219)	519	(18,450)
	<u>67,382</u>	<u>115,203</u>	<u>135,452</u>	<u>186,974</u>

* Profit before unallocated expenses, finance costs and income and share of associates & joint ventures results.

The revenue and profit of the Group was mainly attributable to the two core operating segments below:-

(i) Property Development & Investment

The revenue and profit recorded was mainly generated from the award winning Sentral Residences in KL Sentral CBD and Easton Burwood in Melbourne, and the on-going property development projects of 9 Seputeh mixed residential development in Jalan Klang Lama, PJ Sentral Garden City, Menara MRCB in Putrajaya and SIDEC residential project in Perak. The Group's investment properties in Shah Alam and Kuala Lumpur also continued to contribute recurring income of RM5.9 million to the Group during the first half of the financial period.

(ii) Engineering, Construction & Environment

The bulk of the division's revenue was contributed by infrastructure projects, and the on-going construction of most of the property development projects stated in (i) above, as well as several commercial buildings for clients in Johor, power transmission related construction projects in Peninsular Malaysia, and other civil engineering projects in the Klang Valley.

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19. Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30/6/2017	Immediate Preceding Quarter 31/3/2017	Changes (Amount / %)
	RM'000	RM'000	RM'000 / %
Revenue	756,522	524,851	231,671/44%
Operating profit	64,760	65,584	(824)/(1%)
Profit before interest and tax	59,630	62,218	(2,588)/(4%)
Profit before tax	34,179	29,265	4,914/17%
Profit after tax	26,062	20,404	5,658/28%
Profit attributable to equity holders of the Company	23,371	10,462	12,909/123%

The Group recorded revenue and profit before taxation of RM756.5 million and RM34.2 million for the financial quarter ended 30 June 2017, compared to revenue of RM524.9 million and profit before taxation of RM RM29.3 million recorded in the immediate preceding quarter ended 31 March 2017.

The higher profit before tax recorded in the financial quarter ended 30 June 2017 was mainly due to the property development projects, namely Easton Burwood in Melbourne and Menara MRCB in Putrajaya. Other completed and on-going property development namely Sentral Residences, Q Sentral, 9 Seputeh mixed residential development in Jalan Klang Lama and PJ Sentral Garden City continued to contribute positively in the financial quarter under review.

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20. Prospects

The Group's Property Development division will focus on marketing its new residential development projects, including "Sentral Suites" in KL Sentral. Revenues and profits will continue to be progressively recognised in the present financial year from "Vivo" which forms phase 1 of its 9 Seputeh development, the office development projects in PJ Sentral Garden City and Menara MRCB in Putrajaya.

As at 30 June 2017, the Group has achieved total cumulative unbilled sales in its Property Development Division which is expected to deliver RM1.6 billion in revenue to be booked over the development lifespan of its projects. Over the longer term, the Division's 383 acre urban land bank will provide the Group a sustainable pipeline of future revenues from property development projects centered around mass transportation infrastructure.

The Construction, Engineering & Environment division continues to actively tender for more contracting projects to replenish its order book, and in doing so, is placing greater emphasis on seeking civil engineering and long term fee based management projects. It has recently gained RM409 million worth of new contract wins, increasing its current external client order book to RM6.3 billion.

In view of the above, the Group believes that its operating profits in the present financial year should be maintainable, despite the difficult operating environment.

21. Variance on forecast profit/profit guarantee

Not applicable.

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22. Earnings per share (EPS)

Basic EPS

The basic EPS is calculated by dividing the net profit for the current financial period by the weighted average number of shares in issue during the current financial period.

	3 months ended		6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Net profit for the financial period attributable to the owners of the parent (RM'000)	23,371	45,504	33,833	49,886
Weighted average number of ordinary shares in issue ('000)	2,177,749	1,864,613	2,161,926	1,825,602
Basic Earnings Per Share (sen)	1.07	2.44	1.56	2.73

Diluted earnings Per Share

There is no significant effect on the fully diluted earnings per share arising from the outstanding share options and warrants. Hence, the basic earnings per share approximates to the fully diluted earnings per share.

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23. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group as at 30 June 2017, into realised and unrealised, pursuant to a directive issued by Bursa Malaysia Securities Berhad is as follows:

	As at 30.6.2017 (unaudited) (RM'000)	As at 31.12.2016 (audited) (RM'000)
Total accumulated profit or losses:		
- Realised	736,700	727,084
- Unrealised	25,936	15,931
Total share of accumulated profit from associates:		
- Realised	87,145	85,365
Total share of accumulated profit or losses from joint ventures:		
- Realised	9,352	6,965
Add: Consolidation adjustments	(481,239)	(491,034)
Total Group retained earnings	377,894	344,311

The analysis of realised and unrealised retained earnings is compiled based on Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements as issued by the Malaysian Institute of Accountants.

The disclosure above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

By Order of the Board

Mohd Noor Rahim Yahaya
Company Secretary

Kuala Lumpur
29 August 2017