

YTL CORPORATION BERHAD

Company No. 92647-H

Incorporated in Malaysia

Interim Financial Report
30 September 2016

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

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 30 September 2016.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.09.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2015 RM'000	3 MONTHS ENDED	
			30.09.2016 RM'000	30.09.2015 RM'000
Revenue	3,492,150	4,448,389	3,492,150	4,448,389
Cost of sales	<u>(2,506,831)</u>	<u>(3,281,289)</u>	<u>(2,506,831)</u>	<u>(3,281,289)</u>
Gross profit	985,319	1,167,100	985,319	1,167,100
Other operating income	65,827	50,540	65,827	50,540
Other operating expenses	<u>(482,701)</u>	<u>(501,038)</u>	<u>(482,701)</u>	<u>(501,038)</u>
Profit from operations	568,445	716,602	568,445	716,602
Finance costs	(306,617)	(340,246)	(306,617)	(340,246)
Share of results of associated companies and joint ventures	<u>84,467</u>	<u>98,493</u>	<u>84,467</u>	<u>98,493</u>
Profit before taxation	346,295	474,849	346,295	474,849
Taxation	<u>(83,146)</u>	<u>(155,538)</u>	<u>(83,146)</u>	<u>(155,538)</u>
Profit for the period	<u>263,149</u>	<u>319,311</u>	<u>263,149</u>	<u>319,311</u>
Attributable to:				
Owners of the parent	150,330	202,615	150,330	202,615
Non-controlling interests	<u>112,819</u>	<u>116,696</u>	<u>112,819</u>	<u>116,696</u>
Profit for the period	<u>263,149</u>	<u>319,311</u>	<u>263,149</u>	<u>319,311</u>
Earnings per 10 sen share				
Basic (sen)	<u>1.44</u>	<u>1.94</u>	<u>1.44</u>	<u>1.94</u>
Diluted (sen)	<u>1.44</u>	<u>1.94</u>	<u>1.44</u>	<u>1.94</u>

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

YTL CORPORATION BERHAD (Company No. 92647-H)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.09.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2015 RM'000	3 MONTHS ENDED	
			30.09.2016 RM'000	30.09.2015 RM'000
Profit for the period	<u>263,149</u>	<u>319,311</u>	<u>263,149</u>	<u>319,311</u>
Other comprehensive income/(loss) :-				
<i>Items that may be reclassified subsequently to income statement :-</i>				
Available-for-sale financial assets	483	(489)	483	(489)
Cash flow hedges	107,087	(191,447)	107,087	(191,447)
Foreign currency translation	<u>492,205</u>	<u>2,295,199</u>	<u>492,205</u>	<u>2,295,199</u>
Other comprehensive income for the period, net of tax	<u>599,775</u>	<u>2,103,263</u>	<u>599,775</u>	<u>2,103,263</u>
Total comprehensive income for the period	<u>862,924</u>	<u>2,422,574</u>	<u>862,924</u>	<u>2,422,574</u>
Attributable to :-				
Owners of the parent	457,156	1,216,924	457,156	1,216,924
Non-controlling interests	<u>405,768</u>	<u>1,205,650</u>	<u>405,768</u>	<u>1,205,650</u>
Total comprehensive income for the period	<u>862,924</u>	<u>2,422,574</u>	<u>862,924</u>	<u>2,422,574</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statement.

YTL CORPORATION BERHAD (Company No. 92647-H)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	26,753,432	26,637,266
Investment properties	9,852,445	9,637,514
Investment in associated companies and joint ventures	2,350,535	2,220,915
Investments	368,968	302,389
Development expenditure	785,446	771,733
Intangible assets	6,197,933	6,064,975
Biological assets	1,798	1,798
Trade, other receivables and other non-current assets	436,384	394,661
Derivative financial instruments	24,211	30,855
	<u>46,771,152</u>	<u>46,062,106</u>
Current Assets		
Inventories	743,136	759,889
Property development costs	2,721,470	2,650,186
Trade, other receivables and other current assets	3,246,481	3,168,641
Derivative financial instruments	58,952	64,965
Income tax assets	42,524	44,813
Amount due from related parties	70,009	62,255
Short term investments	713,917	708,127
Fixed deposits	12,138,878	12,664,529
Cash and bank balances	1,387,918	1,081,308
	<u>21,123,285</u>	<u>21,204,713</u>
TOTAL ASSETS	<u><u>67,894,437</u></u>	<u><u>67,266,819</u></u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	Unaudited As At 30.09.2016 RM'000	Audited As At 30.06.2016 RM'000
EQUITY		
Share capital	1,089,571	1,079,399
Share premium	2,226,851	2,069,188
Other reserves	1,134,428	827,630
Retained earnings	11,244,784	11,223,837
Less : Treasury shares, at cost	(596,575)	(596,575)
Total Equity Attributable to Owners of the Parent	<u>15,099,059</u>	<u>14,603,479</u>
Non-Controlling Interests	7,708,067	7,408,598
TOTAL EQUITY	<u>22,807,126</u>	<u>22,012,077</u>
LIABILITIES		
Non-current liabilities		
Long term payables and other non-current liabilities	1,010,376	1,005,556
Bonds and borrowings	34,386,102	33,971,610
Grants and contributions	436,392	427,843
Deferred tax liabilities	2,112,258	2,118,308
Post-employment benefit obligations	876,138	874,272
Provision for liabilities and charges	40,331	40,331
Derivative financial instruments	136,852	155,141
	<u>38,998,449</u>	<u>38,593,061</u>
Current liabilities		
Trade, other payables and other current liabilities	2,638,278	2,989,798
Derivative financial instruments	184,349	248,330
Amount due to related parties	8,345	9,203
Bonds and borrowings	2,943,707	3,090,582
Income tax liabilities	179,866	190,092
Provision for liabilities and charges	134,317	133,676
	<u>6,088,862</u>	<u>6,661,681</u>
TOTAL LIABILITIES	45,087,311	45,254,742
TOTAL EQUITY AND LIABILITIES	<u>67,894,437</u>	<u>67,266,819</u>
Net Assets per share (RM)	<u>1.44</u>	<u>1.40</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

Group	← Attributable to Owners of the Parent →					Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Other reserves RM'000			
At 1 July 2016	1,079,399	2,069,188	11,223,837	(596,575)	827,630	14,603,479	7,408,598	22,012,077
Profit for the period	-	-	150,330	-	-	150,330	112,819	263,149
Other comprehensive income	-	-	-	-	306,826	306,826	292,949	599,775
Total comprehensive income for the period	-	-	150,330	-	306,826	457,156	405,768	862,924
Changes in composition of the Group	-	-	(129,435)	-	-	(129,435)	(22,463)	(151,898)
Dividend paid	-	-	-	-	-	-	(83,836)	(83,836)
Issuance of share capital	10,172	157,663	-	-	-	167,835	-	167,835
Share option lapsed	-	-	52	-	(28)	24	-	24
At 30 September 2016	<u>1,089,571</u>	<u>2,226,851</u>	<u>11,244,784</u>	<u>(596,575)</u>	<u>1,134,428</u>	<u>15,099,059</u>	<u>7,708,067</u>	<u>22,807,126</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

Group	← Attributable to Owners of the Parent →					Total RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Treasury shares RM'000	Other reserves RM'000			
At 1 July 2015 (as previously stated)	1,079,399	2,069,188	11,591,646	(596,574)	489,086	14,632,745	6,163,877	20,796,622
Prior year adjustments	-	-	(12,167)	-	-	(12,167)	(11,458)	(23,625)
At 1 July 2015 (as restated)	1,079,399	2,069,188	11,579,479	(596,574)	489,086	14,620,578	6,152,419	20,772,997
Profit for the period	-	-	202,615	-	-	202,615	116,696	319,311
Other comprehensive income	-	-	-	-	1,014,309	1,014,309	1,088,954	2,103,263
Total comprehensive income for the period	-	-	202,615	-	1,014,309	1,216,924	1,205,650	2,422,574
Changes in composition of the Group	-	-	(137,655)	-	-	(137,655)	726,701	589,046
Conversion of ICULS	-	-	-	-	(48)	(48)	-	(48)
Dividend paid	-	-	-	-	-	-	(115,841)	(115,841)
Share option lapsed	-	-	81	-	(81)	-	-	-
Share option expenses	-	-	-	-	(1,172)	(1,172)	-	(1,172)
At 30 September 2015	1,079,399	2,069,188	11,644,520	(596,574)	1,502,094	15,698,627	7,968,929	23,667,556

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

	3 MONTHS ENDED	
	30.09.2016	30.09.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	346,295	474,849
Adjustments for :-		
Allowance for impairment of inventories	340	326
Amortisation of grants and contributions	(5,015)	(5,098)
Amortisation of other intangible assets	21,315	23,589
Depreciation	361,026	477,568
Dividend income	(1,538)	(127)
Fair value changes of derivatives	6,393	(9,234)
Gain on disposal of investments	(31,627)	-
Gain on disposal of property, plant and equipment	(3,553)	(3,472)
Impairment losses	22,208	22,702
Interest expense	306,617	340,246
Interest income	(56,143)	(76,886)
Property, plant and equipment written off	7,034	7
Provision for post-employment benefit	8,695	15,256
Share of results of associated companies and joint ventures	(84,467)	(98,493)
Unrealised loss on foreign exchange	41,890	50,159
Other non-cash items	441	1,851
Operating profit before changes in working capital	939,911	1,213,243

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 - continued**

	3 MONTHS ENDED	
	30.09.2016	30.09.2015
	RM'000	RM'000
Changes in working capital :-		
Inventories	15,072	(7,432)
Property development costs	(19,059)	(19,112)
Receivables, deposits and prepayments	(120,141)	241,001
Payables and accrued expenses	(467,693)	(301,036)
Related parties balances	(8,612)	5,488
Cash generated from operations	339,478	1,132,152
Dividend received	56,841	121,597
Interest paid	(282,391)	(347,773)
Interest received	50,423	39,711
Payment to a retirement benefits scheme	(14,432)	(15,049)
Income tax paid	(107,294)	(174,408)
Net cash from operating activities	42,625	756,230
Cash flows from investing activities		
Acquisition of additional shares in existing subsidiaries	(167,835)	(183,012)
Acquisition of new subsidiaries (net of cash acquired)	(12)	(8,063)
Acquisition of associated companies	(15,024)	-
Development expenditure incurred	(39,406)	(12,742)
Grants received in respect of infrastructure assets	12,371	20,309
Proceeds from disposal of investments	9,004	25,902
Proceeds from disposal of property, plant and equipment	3,694	5,803
Purchase of investment properties	(4,529)	(2,789)
Purchase of investments	(59,930)	-
Purchase of property, plant and equipment	(195,362)	(381,706)
Purchase of intangible assets	(10,561)	(22,243)
Net cash used in investing activities	(467,590)	(558,541)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 - continued**

	3 MONTHS ENDED	
	30.09.2016	30.09.2015
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid to non-controlling interests by subsidiaries	(83,836)	(115,841)
Proceeds from borrowings	224,463	1,058,571
Proceeds from issue of shares	167,835	-
Proceeds from issue of shares in subsidiaries to non-controlling interests	15,457	776,442
Repayment of borrowings	(270,228)	(753,933)
Net cash from financing activities	<u>53,691</u>	<u>965,239</u>
Net changes in cash and cash equivalents	(371,274)	1,162,928
Effect of exchange rate changes	218,521	1,081,159
Cash and cash equivalents at beginning of the financial year	<u>13,679,430</u>	<u>14,031,412</u>
Cash and cash equivalents at end of the financial period	<u><u>13,526,677</u></u>	<u><u>16,275,499</u></u>
Cash and cash equivalents comprise :-		
Fixed deposits	12,138,878	15,203,485
Cash and bank balances	1,387,918	1,072,350
Bank overdraft	(119)	(336)
	<u>13,526,677</u>	<u>16,275,499</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

Notes:-

Disclosure requirements pursuant to FRS 134 – paragraph 16

The Condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2016.

A1. Accounting Policies and Methods of Computation

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

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the latest audited annual financial statements except for the adoption of the amendments to FRSs and IC Interpretations (“IC Int”) that are applicable to the Group for the financial period beginning 1 July 2016.

The adoption of these amendments to FRSs and IC Int does not have any significant impact on the financial statements of the Group.

Malaysia Financial Reporting Standards (“MFRS”) Framework

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

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called ‘Transitioning Entities’). Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018. Early application of MFRS is permitted.

The Group and the Company fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2019.

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INTERIM FINANCIAL REPORT

Notes: - continued

A2. Seasonality or Cyclicity of Operations

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

A3. Exceptional or Unusual Items

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

A4. Changes in estimates of amounts reported

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

A5. Changes in Debt and Equity Securities

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

During the current financial quarter, 101,717,496 ordinary shares of RM0.10 each were issued in exchange for YTL e-Solutions Berhad's ordinary shares at an issue price of RM1.65 per share, pursuant to the conditional share exchange offer by the Company.

A6. Dividend paid

There was no dividend paid during the current financial quarter.

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

Notes: - continued

A7. Segment Information

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

The Group's segmental result for the financial period ended 30 September 2016 is as follows:-

	Construction	Information technology & e-commerce related business	Cement Manufacturing & trading	Property investment & development	Management services & others	Hotels	Utilities	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	22,442	879	575,774	266,857	109,250	220,547	2,296,401	-	3,492,150
Inter-segment revenue	104,367	20,283	6,716	49,275	51,360	2,340	5,033	(239,374)	-
Total revenue	126,809	21,162	582,490	316,132	160,610	222,887	2,301,434	(239,374)	3,492,150
Segment results									
Profit from operations	8,789	152	87,561	86,946	108,665	19,025	257,307	-	568,445
Finance costs									(306,617)
									261,828
Share of profit of associated companies									84,467
Profit before taxation									346,295

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Notes: - continued

A7. Segment Information - continued

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

The Group's segmental result for the financial period ended 30 September 2015 is as follows:-

	Construction RM'000	Information technology & e-commerce related business RM'000	Cement Manufacturing & trading RM'000	Property investment & development RM'000	Management services & others RM'000	Hotels RM'000	Utilities RM'000	Elimination RM'000	Total RM'000
External revenue	29,833	942	709,345	228,114	113,822	199,627	3,166,706	-	4,448,389
Inter-segment revenue	51,299	19,865	7,023	48,402	62,205	1,661	1,823	(192,278)	-
Total revenue	81,132	20,807	716,368	276,516	176,027	201,288	3,168,529	(192,278)	4,448,389
Segment results									
Profit/(loss) from operations	7,531	565	130,346	83,712	145,417	11,499	337,532	-	716,602
Finance costs									(340,246)
									376,356
Share of profit of associated companies									98,493
Profit before taxation									474,849

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Notes: - continued

A8. Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the current financial period ended 30 September 2016, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations except for the following:-

- On 9 September 2016, YTL Hotels & Properties Sdn Bhd (“YTLHP”), a wholly-owned subsidiary of the Company, acquired 1 share of GBP1.00, representing the entire issued and paid-up share capital in Glasshouse Hotel (Cayman) Limited (“Glasshouse Cayman”) at par value. As a result, Glasshouse Cayman became a wholly-owned subsidiary of YTLHP and an indirect subsidiary of the Company. Glasshouse Cayman will be principally engaged in investment holding.
- On 13 September 2016, Glasshouse Cayman incorporated a wholly-owned subsidiary known as Glasshouse Hotel Limited (“Glasshouse Hotel”) in England and Wales with an issued share capital of GBP1.00 comprising 1 ordinary share of the nominal value of GBP1.00. Glasshouse Hotel will be principally engaged in investment holding.
- On 27 September 2016, Glasshouse Hotel acquired the entire issued and paid-up share capital of the following corporations:-
 1. RW Gower Street Limited (“Gower Street”) comprising 2,949,664 ordinary shares of GBP1.00 each; and
 2. RW Greenside Place Limited (“Greenside Place”) comprising 2,948,368 ordinary shares of GBP1.00 each,

for a cash consideration of GBP6,868,081 and GBP200,000, respectively, as adjusted pursuant to an agreement dated 27 September 2016 (“the Acquisition”). Gower Street and Greenside Place were both incorporated in the England and Wales and are principally engaged in hotel operations.

As a result of the Acquisition, Gower Street and Greenside Place became wholly-owned subsidiaries of Glasshouse Hotel and indirect subsidiaries of the Company.

A9. Changes in Contingent Liabilities or Contingent Assets

There were no significant changes in the contingent liabilities of the Group since the last financial year ended 30 June 2016.

A10. Subsequent Events

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

INTERIM FINANCIAL REPORT

Notes: - continued

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

B1. Review of Performance

	Individual Quarter		Cumulative Quarter	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
Construction	22,442	29,833	22,442	29,833
Information technology & e-commerce related business	879	942	879	942
Cement Manufacturing & trading	575,774	709,345	575,774	709,345
Property investment & development	266,857	228,114	266,857	228,114
Management services & others	109,250	113,822	109,250	113,822
Hotels	220,547	199,627	220,547	199,627
Utilities	2,296,401	3,166,706	2,296,401	3,166,706
	3,492,150	4,448,389	3,492,150	4,448,389
Profit before taxation				
Construction	8,787	7,529	8,787	7,529
Information technology & e-commerce related business	152	565	152	565
Cement Manufacturing & trading	74,945	117,844	74,945	117,844
Property investment & development	38,381	41,010	38,381	41,010
Management services & others	8,535	46,720	8,535	46,720
Hotels	13,689	6,284	13,689	6,284
Utilities	201,806	254,897	201,806	254,897
	346,295	474,849	346,295	474,849

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Notes – continued

For the current financial quarter under review, the Group recorded revenue and profit before taxation of RM3,492.2 million and RM346.3 million respectively, representing a decrease of 21.5% and 27.1%, respectively compared to the preceding year corresponding financial quarter.

Performance of the respective operating business segments for the financial quarter ended 30 September 2016 as compared to the preceding year corresponding financial quarter are analysed as follows:

Construction

Revenue for the current financial quarter under review decreased by 24.8% whilst profit before taxation increased by 16.7% when compared to the preceding year corresponding financial quarter.

The decrease in revenue was mainly due to lower revenue recognition of construction contracts whilst the increase in profit before tax was attributable to better contract margin recorded by construction entity in Malaysia.

Information technology & e-commerce related business

For the current financial quarter under review, revenue and profit before taxation decreased by 6.7% and 73.1%, respectively when compared to the preceding year corresponding financial quarter.

The decrease in revenue and profit before taxation was mainly due to lower income from software sales activities.

Cement Manufacturing & trading

The current financial quarter's revenue and profit before taxation declined by 18.8% and 36.4%, respectively when compared to the preceding year corresponding financial quarter.

The lower revenue and profit before taxation were primarily due to competitive pricing and lower sales volume.

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INTERIM FINANCIAL REPORT

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Property investment & development

Revenue for the current financial quarter under review increased by 17.0% whilst profit before taxation decreased by 6.4% compared to the preceding year corresponding financial quarter.

The higher revenue was mainly attributable to better site progress from the Fennel project. The Dahlia and U-Thant Place projects undertaken by the subsidiaries of YTL Land & Development Berhad have also made their maiden contribution to the Group's revenue.

The lower profit before taxation was mainly due to lower unrealised gains on foreign exchange recorded by certain subsidiaries following the weakening of Singapore Dollar against Ringgit Malaysia during the current financial quarter as compared to the preceding year corresponding financial quarter.

Management services & others

Revenue and profit before taxation for the current financial quarter under review declined by 4.0% and 81.7%, respectively when compared to the preceding year corresponding financial quarter. The decline in revenue and profit before taxation was mainly due to lower interest income and lower share of results of associates recorded by YTL Power International Berhad.

Hotels

For the current financial quarter under review, revenue and profit before taxation improved by 10.5% and 117.8% when compared to the preceding year corresponding financial quarter.

The higher revenue was primarily contributed by Niseko Village K.K., Magna Boundary Sdn Bhd and YTL Majestic Hotel Sdn Bhd. The increase in profit before taxation of 117.8% was mainly due to lower unrealised foreign exchange loss on inter-company balances due to the strengthening of Ringgit Malaysia against Japanese Yen during the current financial quarter.

Utilities

For the current financial quarter under review, revenue and profit before taxation decreased by 27.5% and 20.8%, respectively compared to preceding year corresponding financial quarter.

The lower revenue and profit before taxation was mainly due to the absence of revenue from power generation (contracted) division as a result of the completion of power purchase agreement on 30 September 2015, lower fuel oil price in the multi utilities division, and the strengthening of Ringgit Malaysia against Great Britain Pound in water & sewerage division.

The utilities segment contributes to 65.8% and 58.3% of the Group's revenue and profit before taxation, respectively.

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INTERIM FINANCIAL REPORT

Notes – continued

B2. Comparison with Preceding Quarter

	Current Quarter 30.09.2016 RM'000	Preceding Quarter 30.06.2016 RM'000
Revenue	3,492,150	3,372,975
Profit before taxation	346,295	703,479
Profit attributable to owners of the parent	150,330	249,016

For the current financial quarter, the Group revenue increased to RM3,492.2 million from RM3,373.0 million, representing an increase of 3.5% whilst profit before taxation decreased to RM346.3 million from RM703.5 million, representing a decrease of 50.8% when compared to the preceding financial quarter ended 30 June 2016.

The increase in revenue was primarily attributable to higher revenue registered by multi utilities division whilst lower profit before taxation was mainly due to a significant one-off tax credit recognised by an associate under utilities division during the preceding financial quarter.

B3. Audit Report of the preceding financial year ended 30 June 2016

The Auditors' Report on the financial statements of the financial year ended 30 June 2016 did not contain any qualification.

B4. Prospects

Construction

The construction segment is expected to achieve satisfactory performance for the financial year ending 30 June 2017 as the construction contracts relate mainly to the Group's property development and infrastructure works.

Information technology & e-commerce related business

The outlook for the segment's performance in the financial year ending 30 June 2017 should be satisfactory, given that a significant portion of its revenue is derived from relatively resilient spectrum sharing fee income.

Cement Manufacturing & trading

Considering the Group's current level of operations and continued growth in the construction sector, the segment is expected to achieve satisfactory performance for the financial year ending 30 June 2017.

Property investment & development

This segment is expected to achieve satisfactory performance for the financial year ending 30 June 2017 through the property development activities undertaken by its subsidiaries and joint venture.

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Management services & others/Hotels

After considering the current market condition and the level of uncertainty in the global economy, the performance of these two segments for the financial year ending 30 June 2017 is expected to remain satisfactory.

Utilities

The YTL Power Group has an 80% equity interest in P.T. Tanjung Jati Power Company (TJPC), an independent power producer which is undertaking the development of Tanjung Jati A, a 2 x 660 megawatt coal-fired power project in Java, Indonesia. TJPC has a 30-year power purchase agreement with PT PLN (Pesero), Indonesia's state-owned electric utility company, entered into in December 2015. The project is currently in the development stage and progress is underway towards achieving financial close.

The YTL Power Group also has a 45% equity interest in Attarat Power Company (APCO), which is developing a 554 megawatt oil shale fired power generation project in the Hashemite Kingdom of Jordan. APCO has signed a 30-year power purchase agreement with the National Electric Power Company (NEPCO), the Jordan state-owned utility, for the entire electrical capacity and energy of the power plant, with an option for NEPCO to extend the power purchase agreement to 40 years. The project is currently in the development stage and progress is underway towards achieving financial close.

The power purchase agreement between YTL Power Generation Sdn. Bhd. (YTLPG) and Tenaga Nasional Berhad (Tenaga) expired on 30 September 2015. On 5 August 2015, the Malaysian Energy Commission (Energy Commission) awarded the project for the supply of 585MW of capacity from the existing facility in Paka for the period 1 March 2016 to 31 December 2018 to YTLPG under the short term capacity bid called by the Energy Commission. The Power Purchase Agreement with Tenaga has yet to be signed as Tenaga included a condition for a new land lease to be entered into for the term of the new Power Purchase Agreement. The Energy Commission subsequently issued a directive (Directive) to Tenaga under the Electricity Supply Act 1990 to remove this condition as the existing land lease for Paka will only expire on 30 December 2018. On 4 July 2016, Tenaga applied to the High Court for leave to commence proceedings for a judicial review to, inter alia, quash the Directive. The proceedings are pending before the High Court.

The electricity market in Singapore remained competitive, driven by volatilities across global markets and generation capacity oversupply in the wholesale electricity market. Despite the current challenges, this segment will continue to focus on customer service, diversification beyond the core business into integrated multi-utilities supply and non-regulated ancillary businesses in steam sales, oil storage tank leasing, bunkering services and potable water sales.

As for Water & Sewerage division, Wessex Water which operates under a strict regulatory regime is confident of delivering its 2015-20 regulatory outperformance target by restructuring its business objectives and will continue to provide customers with first-class affordable service.

The telecommunication division has successfully launched its nationwide 4G LTE services for mobile devices and becoming Malaysia's first voice over LTE (VoLTE) service provider. This business division will continuously be coming up with more competitive products to increase the subscriber base to generate higher revenue.

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Notes – continued

B5. Profit Forecast

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

B6. Profit for the period

	Current Quarter 30.09.2016 RM'000	Year To Date 30.09.2016 RM'000
Profit for the period is stated after charging/(crediting):		
Allowance for impairment of inventories	340	340
Allowance for impairment of receivables - net of reversal	22,208	22,208
Amortisation of grants and contributions	(5,015)	(5,015)
Amortisation of other intangible assets	21,315	21,315
Depreciation of property, plant and equipment	361,026	361,026
Dividend income	(1,538)	(1,538)
Fair value changes of derivatives	6,393	6,393
Gain on disposal of investments	(31,627)	(31,627)
Gain on disposal of property, plant and equipment	(3,553)	(3,553)
Interest expense	306,617	306,617
Interest income	(20,873)	(20,873)
Loss on foreign exchange	39,893	39,893

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

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B7. Taxation

Taxation comprise the following:-

	Current Quarter 30.09.2016 RM'000	Year To Date 30.09.2016 RM'000
In respect of current period		
- Income tax	94,060	94,060
- Deferred tax	(10,914)	(10,914)
	<u>83,146</u>	<u>83,146</u>

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

B8. Corporate Developments

(a) Corporate Proposals Announced and Pending Completion

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

- (i) On 14 June 2013, Pintar Projek Sdn Bhd, as the Manager for YTL Hospitality REIT proposed, to undertake the following proposals:-
 - (a) Placement of new units in YTL Hospitality REIT (“Placement Units”), at a price to be determined later, to raise gross proceeds of up to RM800 million to partially repay YTL Hospitality REIT’s borrowings and reduce its gearing level (“Placement”); and
 - (b) Increase in the existing approved fund size of YTL Hospitality REIT from 1,324,388,889 units up to a maximum of 2,125,000,000 units to facilitate the issuance of the Placement Units pursuant to the Placement (“Increase in Fund Size”).

On 28 June 2013, the Company accepted YTL Hospitality REIT’s conditional invitation to subscribe for Placement Units of up to RM310 million in value (“Subscription”).

Unitholders of YTL Hospitality REIT approved, among others, the Placement (including the portion to be issued to the Company pursuant to the Subscription) and the Increase in Fund Size at the meeting of unitholders held on 11 February 2014.

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Notes – continued

B8. Corporate Developments - continued

As there were time limits for the implementation of the Placement and the Increase in Fund Size under the approvals granted by the Securities Commission Malaysia (“SC”) and Bursa Malaysia Securities Berhad (“Bursa Securities”), successive applications for extensions of time for implementation were submitted to and approved by the SC and Bursa Securities. The final extension of time for implementation until 29 December 2016 was approved by the SC on 5 July 2016 and Bursa Securities on 21 July 2016.

- (ii) On 25 July 2016, the Company announced a proposed conditional share exchange offer in accordance with the Malaysian Code on Take-Overs and Mergers, 2010 (“Code”) to acquire the remaining ordinary shares of RM0.10 each (excluding treasury shares) in YTL e-Solutions Berhad (“YTL e-Solutions”) not already held by the Company (“Offer Shares”), at an offer price of RM0.55 for each Offer Share, to be satisfied through the issuance of new ordinary shares of RM0.10 each in the Company at an issue price of RM1.65 (“Consideration Shares”) based on exchange ratio of approximately 0.333 Consideration Share for each Offer Share tendered (“Offer”).

On 29 July 2016, the following applications in relation to the Offer were made to the SC and Bursa Securities by the Company:

- (a) Application to the SC for its consent to the offer document setting out the details of the Offer together with the form of acceptance and transfer (“Offer Document”) in accordance with the provisions of the Code;
- (b) Application to Bursa Securities for the listing of and quotation for the new ordinary shares of RM0.10 in the Company to be issued as consideration for the Offer; and
- (c) Application to Bursa Securities for a waiver of compliance with Paragraph 6.04(c), 6.05 and 6.06(1) of the Bursa Securities Main Market Listing Requirements in respect of the requirement for the Company to seek shareholders’ approval for the issuance of Consideration Shares to its Directors and major shareholders and persons connected to them, who are also the holders under the Offer (“Waiver”).

On 15 August 2016, the Offer Document was despatched to the shareholders of YTL e-Solutions or their designated agents. The first closing date for the Offer was fixed at 5.00 p.m. on 15 September 2016 (“Offer Period”).

On 26 August 2016, Bursa Securities has granted its approvals for the listing of and quotation of the Consideration Shares on the Main Market of Bursa Securities and the Waiver. Accordingly, the Offer became unconditional on 29 August 2016.

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Notes – continued

B8. Corporate Developments - continued

On 9 September 2016, the Company announced that (i) it had received valid acceptances in respect of the Offer resulting in the Company holding more than 90% of the listed shares in YTL e-Solutions; (ii) in accordance with Rule 16.02(3) of the ACE LR, Bursa Securities would suspend the trading of YTL e-Solutions' shares upon the expiry of 5 market days from the final closing date for the Offer; and (iii) the Company had requested that YTL e-Solutions make an application to Bursa Securities for the withdrawal of its listing status from the Official List of Bursa Securities pursuant to Rule 16.07(a) of the ACE LR.

The Offer Period for the Offer was further extended from 15 September 2016 to 5.00 pm on 29 September 2016, followed by a final extension to 5.00 pm on 14 October 2016 ("Final Offer Period"), being the final extension of the closing date of the Offer, for the shareholders of YTL e-Solutions who had not accepted the Offer to continue to accept the Offer.

On 6 October 2016, the Company announced that it had received valid acceptances in respect of the Offer resulting in the Company holding not less than nine-tenths (9/10) in the nominal value of the Offer Shares (excluding the YTL e-Solutions Shares already held at the date of the Offer by the Company and the persons acting in concert with the Company). Accordingly, the Company had on 7 October 2016, pursuant to Section 222(1) of the Capital Markets and Services Act, 2007, posted the notice of compulsory acquisition to the dissenting shareholders of YTL e-Solutions ("Dissenting Shareholders") notifying them of the Company's intention to compulsorily acquire all the Offer Shares held by the Dissenting Shareholders ("Compulsory Acquisition").

On 28 October 2016, the Company announced the adjustment of the issue price from RM1.65 to RM1.555, in accordance with the terms and conditions of the Offer Document, and the issue of an additional 493,689 new YTL Corp shares ("Additional Shares") arising from the interim single tier dividend of RM0.095 per YTL Corp share declared in respect of the financial year ended 30 June 2016, the entitlement date for which was 31 October 2016. An application to Bursa Securities for approval for the listing of and quotation for the Additional Shares was submitted on 28 October 2016.

Pursuant to Rule 16.07(a) of the ACE LR, all listed securities of YTL e-Solutions were removed from the Official List of Bursa Securities with effect from 9.00 a.m. on 4 November 2016.

Barring unforeseen circumstances, the Compulsory Acquisition is expected to be completed by the end of December 2016.

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B9. Group Borrowings and Debt Securities

The Group's borrowings and debts securities as at 30 September 2016 are as follows:-

	Short term		Long term		Total RM'000
	Bonds RM'000	Borrowings RM'000	Bonds RM'000	Borrowings RM'000	
Secured	-	763,109	-	6,658,269	7,421,378
Unsecured	-	2,180,598	15,782,043	11,945,790	29,908,431
Total	-	2,943,707	15,782,043	18,604,059	37,329,809

The above include borrowings denominated in foreign currencies as follows:-

In Singapore Dollar ('000)	2,230,464
In US Dollar ('000)	652,344
In Sterling Pound ('000)	2,015,732
In Japanese Yen ('000)	10,310,000
In Thai Baht ('000)	1,057,000
In Euro ('000)	18,934

Save for the borrowings of RM221.1 million, US Dollar 252.3 million, Thai Baht 1.1 billion, Yen 10.3 billion and Euro 18.9 million by subsidiary companies of which corporate guarantees are provided by the Company, all other borrowings of subsidiary companies are on a non-recourse basis to the Company.

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B10. Derivatives Financial Instruments, Fair Value Changes of Financial Liabilities, Fair Value hierarchy and Realised and Unrealised Profits or Losses

(a) Derivatives Financial Instruments

As at 30 September 2016, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<u>Fuel oil swaps</u>		
- Less than 1 year	1,072,701	934,558
- 1 year to 3 years	312,488	235,562
- More than 3 years	-	-
<u>Currency forwards</u>		
- Less than 1 year	1,127,450	1,140,618
- 1 year to 3 years	401,621	411,353
- More than 3 years	1,113	1,040
<u>Interest rate swap contracts</u>		
- 1 year to 5 years	830,463	(28,209)

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

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

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

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

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

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(b) Fair Value Changes of Financial Liabilities

The gains/(losses) arising from fair value changes of financial liabilities for the current financial period ended 30 September 2016 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gain/(loss)	Fair value gain/(loss)	
			Current quarter 3 months to 30.09.2016 RM'000	Current year to date 3 months to 30.09.2016 RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour of the Group	3	3
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved unfavourably against the Group	(10,722)	(10,722)
Total			(10,719)	(10,719)

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(c) Fair Value hierarchy

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

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

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

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 September 2016			
Assets			
Financial assets at fair value through profit and loss			
- Trading derivatives	-	824	824
Derivative used for hedging	-	82,339	82,339
Available-for-sale financial assets	33,637	-	33,637
Total assets	<u>33,637</u>	<u>83,163</u>	<u>116,800</u>
Liabilities			
Financial liabilities at fair value through profit and loss			
- Trading derivatives	-	13,291	13,291
Derivative used for hedging	-	307,910	307,910
Total liabilities	<u>-</u>	<u>321,201</u>	<u>321,201</u>

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(d) Realised and Unrealised Profits or Losses

	As at 30.09.2016 RM'000	As at 30.06.2016 RM'000
Retained earnings of the Company and its subsidiaries		
- Realised	16,567,422	17,206,906
- Unrealised	518,813	(653,771)
	<u>17,086,235</u>	<u>16,553,135</u>
Total share of accumulated profit from associated companies and joint ventures		
- Realised	1,006,820	1,622,497
- Unrealised	66,049	66,049
	<u>1,072,869</u>	<u>1,688,546</u>
Less: consolidated adjustments	(6,914,320)	(7,017,844)
Total Group retained earnings	<u><u>11,244,784</u></u>	<u><u>11,223,837</u></u>

B11. Material litigation

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

During the previous financial year, a foreign subsidiary of the Group commenced proceedings in court against two customers to recover monies due to the subsidiary under contract, following termination of their electricity retail contracts. The customers have filed their defence and counterclaims, and the matter is now awaiting trial.

Based on the legal advice sought by the board, the subsidiary has strong prospects of succeeding in its claim and the customers are highly unlikely to succeed in their counterclaims. Thus, no provision has been made for potential losses that may arise from the counterclaims.

INTERIM FINANCIAL REPORT

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B12. Dividend

No dividend has been declared for the current financial quarter.

B13. Earnings Per Share

i) Basic earnings per 10 sen share

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

	Current Year Quarter 30.09.2016	Preceding Year Corresponding Quarter 30.09.2015
Profit attributable to owners of the parent (RM'000)	150,330	202,615
<i>Weighted average number of ordinary shares ('000)</i>		
Weighted average number of ordinary shares ('000)	10,827,897	10,793,991
<i>Less: Shares repurchased</i>	<i>(375,347)</i>	<i>(375,346)</i>
	<u>10,452,550</u>	<u>10,418,645</u>
Basic earnings per share (sen)	<u>1.44</u>	<u>1.94</u>

INTERIM FINANCIAL REPORT

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B13. Earnings Per Share

ii) Diluted earnings per 10 sen share

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

	Current Year Quarter 30.09.2016	Preceding Year Corresponding Quarter 30.09.2015
Profit attributable to owners of the parent (RM'000)	150,330	202,615
<i>Weighted average number of ordinary shares - diluted ('000)</i>		
Weighted average number of ordinary shares-basic	10,452,550	10,418,645
Effect of unexercised employees share option scheme ("ESOS")	-	-
	<u>10,452,550</u>	<u>10,418,645</u>
Diluted earnings per share (sen)	<u>1.44</u>	<u>1.94</u>

Total cash expected to be received in the event of an exercise of all outstanding ESOS options is RM230.423 million (2015: RM236.364 million). Accordingly, the Net Asset ("NA") on a proforma basis will increase by RM230.423 million (2015: RM236.364 million) resulting in an increase in NA per share of RM0.02 (2015: RM0.02). In arriving at the diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 17 November 2016