MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

# CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2015

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year to Date | Preceding Year Corresponding Period |
| | Note | 30.06.2015 | 30.06.2014 | 30.06.2015 | 30.06.2014 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 939,960 | 1,175,547 | 1,816,139 | 1,956,628 |
| Cost of inventories sold | | (86,982) | (73,549) | (174,863) | (159,122) |
| Other income | | 136,470 | 32,267 | 252,019 | 66,096 |
| Employee benefits expense | | (211,039) | (160,017) | (388,730) | (304,998) |
| Construction costs | | - | (517,516) | - | (633,880) |
| Depreciation and amortisation | | (207,431) | (134,381) | (412,680) | (200,520) |
| Other expenses | | (357,646) | (266,497) | (680,531) | (476,542) |
| **Operating profits** | | 213,332 | 55,854 | 411,354 | 247,662 |
| Finance costs | | (212,101) | (36,848) | (372,015) | (44,109) |
| Impairment of investment | | - | (4,440) | - | (9,011) |
| Share of results: | | | | | |
| - associates | | (1,916) | 2,843 | (1,801) | 259 |
| - jointly controlled entities | | 2,361 | (55,138) | 3,435 | (53,554) |
| **Profit/(loss) before tax and zakat** | 7 | 1,676 | (37,729) | 40,973 | 141,247 |
| Taxation and zakat | 22 | (21,787) | (6,945) | (29,086) | (57,211) |
| **(Loss)/profit for the period, net of tax and zakat** | | (20,111) | (44,674) | 11,887 | 84,036 |
| **Discontinued Operation** | | | | | |
| Loss from discontinued operation, net of tax | 13 | - | - | - | - |
| **(Loss)/profit for the period, net of tax and zakat** | | (20,111) | (44,674) | 11,887 | 84,036 |
| **Attributable to:** | | | | | |
| Owners of the parent | | (19,884) | (44,674) | 12,241 | 84,036 |
| Non-controlling interests | | (227) | - | (354) | - |
| | | (20,111) | (44,674) | 11,887 | 84,036 |
| Earnings per share attributable to owners of the parent (sen): | | | | | |
| Basic for (loss)/profit from continuing operations | | (3.20) | (3.39) | (1.09) | 6.38 |
| Basic for loss from discontinued operation | | - | - | - | - |
| Basic for (loss)/profit for the period | 30 | (3.20) | (3.39) | (1.09) | 6.38 |

***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 2014 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 2015

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 30.06.2015 RM'000 | Preceding Year Corresponding Quarter 30.06.2014 RM'000 | Current Year to Date 30.06.2015 RM'000 | Preceding Year Corresponding Period 30.06.2014 RM'000 |
| (Loss)/profit for the period, net of tax and zakat | (20,111) | (44,674) | 11,887 | 84,036 |
| Other comprehensive income: | | | | |
| Available-for-sale financial assets | | | | |
| - Gain on fair value changes | 3,690 | 1,550 | 6,087 | 2,479 |
| Share of other comprehensive income of a jointly controlled entity | - | 2,478 | - | 2,478 |
| Foreign currency translation | 143,610 | (516) | (27,148) | (955) |
| Unrealised gain on derivative financial instruments, net of tax | 2,908 | - | 2,908 | - |
| Total comprehensive income | 130,097 | (41,162) | (6,266) | 88,038 |
| **Attributable to:** | | | | |
| Owners of the parent | 130,324 | (41,162) | (5,912) | 88,038 |
| Non-controlling interest | (227) | - | (354) | - |
| | 130,097 | (41,162) | (6,266) | 88,038 |

***The condensed unaudited consolidated of other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.***

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

## CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

| | 30.06.2015 RM'000 Unaudited | 31.12.2014 RM'000 Audited |
|---|---|---|
| **ASSETS** | | |
| **Non-current Assets** | | |
| Property, plant and equipment | 329,471 | 365,099 |
| Plantation development expenditure | 55,510 | 53,903 |
| Land use rights | 7,311 | 7,379 |
| Intangible assets | 16,940,440 | 17,327,735 |
| Investment in associates | 40,234 | 39,034 |
| Investment in jointly controlled entity | 65,849 | 62,415 |
| Derivative financial instruments | 3,635 | - |
| Available for sale investments | 316,443 | 467,379 |
| Other receivables | 450,388 | 452,253 |
| Staff loans | 37,584 | 39,325 |
| Deferred tax assets | 823,140 | 803,265 |
| | 19,070,006 | 19,617,787 |
| **Current Assets** | | |
| Inventories | 137,191 | 154,485 |
| Trade receivables | 908,296 | 606,383 |
| Other receivables | 147,412 | 110,251 |
| Cash and bank balances | 899,522 | 2,041,129 |
| | 2,092,421 | 2,912,248 |
| Assets of disposal group classified as held for disposal | 104 | 104 |
| **TOTAL ASSETS** | 21,162,530 | 22,530,139 |

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

## CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2015

| | 30.06.2015<br>RM'000<br>Unaudited | 31.12.2014<br>RM'000<br>Audited |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to equity holders of the Company** | | |
| Share capital | 1,659,192 | 1,374,150 |
| Perpetual sukuk | 997,842 | 997,842 |
| Share premium | 3,455,287 | 2,373,149 |
| Retained earnings | 2,601,025 | 2,676,767 |
| Fair value adjustment reserve | 4,209 | (1,878) |
| Hedging Reserve | 2,908 | - |
| Other reserve | 2,635 | 2,635 |
| Foreign exchange reserve | (27,693) | (545) |
| | 8,695,405 | 7,422,120 |
| Non-controlling interests | (319) | 35 |
| **Total equity** | 8,695,086 | 7,422,155 |
| | | |
| **Non-current Liabilities** | | |
| Other financial liability | - | 201,950 |
| Borrowings | 5,559,030 | 5,619,277 |
| Deferred income | 62,265 | 64,343 |
| Deferred tax liabilities | 1,442,056 | 1,453,280 |
| Trade payables | 3,223,329 | 3,479,998 |
| Other payables | 463,364 | 577,399 |
| | 10,750,044 | 11,396,247 |
| | | |
| **Current Liabilities** | | |
| Borrowings | 93,547 | 705,742 |
| Trade payables | 602,899 | 733,348 |
| Other payables | 978,694 | 2,240,123 |
| Income tax payable | 42,234 | 32,498 |
| | 1,717,374 | 3,711,711 |
| Liabilities of disposal group classified as held for disposal | 26 | 26 |
| **Total liabilities** | 12,467,444 | 15,107,984 |
| **TOTAL EQUITY AND LIABILITIES** | 21,162,530 | 22,530,139 |

***The condensed unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.***

MALAYSIA AIRPORTS HOLDINGS BERHAD (487092-W)
(Incorporated in Malaysia)

## CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non- distributable | | | | | Distributable | | | |
| | Share Capital RM'000 | Perpetual Sukuk RM'000 | Share Premium RM'000 | Fair value Adjustment Reserve RM'000 | Foreign Exchange Reserve RM'000 | Hedging Reserve RM'000 | Other Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 | Non-Controlling interests RM'000 | Total equity RM'000 |
| **At 1 January 2014** | 1,232,444 | - | 1,409,376 | (553) | (2,941) | - | 2,546 | 2,037,431 | 4,678,303 | 64 | 4,678,367 |
| Total comprehensive income for the period | - | - | - | 4,957 | (955) | - | - | 84,036 | 88,038 | - | 88,038 |
| **Transaction with owners** | | | | | | | | | | | |
| Shares issued pursuant to Dividend reinvestment plan | 17,656 | - | 115,996 | - | - | - | - | - | 133,652 | - | 133,652 |
| Issuance of new shares via private placement | 124,050 | - | 847,777 | - | - | - | - | - | 971,827 | | 971,827 |
| Dividends | - | - | - | - | - | - | - | (78,874) | (78,874) | - | (78,874) |
| Total transactions with owners | 141,706 | - | 963,773 | - | - | - | - | (78,874) | 1,026,605 | - | 1,026,605 |
| **At 30 June 2014** | 1,374,150 | - | 2,373,149 | 4,404 | (3,896) | - | 2,546 | 2,042,593 | 5,792,946 | 64 | 5,793,010 |
| **At 1 January 2015** | 1,374,150 | 997,842 | 2,373,149 | (1,878) | (545) | - | 2,635 | 2,676,767 | 7,422,120 | 35 | 7,422,155 |
| Total comprehensive income for the period | - | - | - | 6,087 | (27,148) | 2,908 | - | 12,241 | (5,912) | (354) | (6,266) |
| Distribution to perpetual sukuk holder | - | - | - | - | - | - | - | (28,514) | (28,514) | - | (28,514) |
| **Transaction with owners** | | | | | | | | | | | |
| Shares issued pursuant to Dividend reinvestment plan | 9,734 | - | 48,359 | - | - | - | - | - | 58,093 | - | 58,093 |
| Issuance of new shares via rights issue | 275,308 | - | 1,033,779 | - | - | - | - | - | 1,309,087 | - | 1,309,087 |
| Dividends | - | - | - | - | - | - | - | (59,469) | (59,469) | - | (59,469) |
| | | - | | | | | | | | | |
| Total transactions with owners | 285,042 | - | 1,082,138 | - | - | - | - | (59,469) | 1,307,711 | - | 1,307,711 |
| **At 30 June 2015** | 1,659,192 | 997,842 | 3,455,287 | 4,209 | (27,693) | 2,908 | 2,635 | 2,601,025 | 8,695,405 | (319) | 8,695,086 |

***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 2014 and the accompanying explanatory notes attached to the interim financial statement***

## CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2015

| | 30.06.2015<br>RM'000<br>Unaudited | 30.06.2014<br>RM'000<br>Unaudited |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax and zakat from: | | |
| Continuing operations | 40,973 | 141,247 |
| Adjustments for: | | |
| Interest income | (15,899) | (7,989) |
| Interest from late payments | (4,413) | (2,095) |
| Interest expense | 372,015 | 44,109 |
| Provision for liabilities | 2,013 | 1,889 |
| Writeback of provision of liabilities | (13) | - |
| Amortisation of: | | |
| - Intangible assets | 388,061 | 180,232 |
| - plantation development expenditure | 1,600 | 1,593 |
| - land use rights | 69 | 60 |
| Depreciation of property, plant and equipment | 22,951 | 18,635 |
| Impairment of investment in associate | - | 9,011 |
| Net provision of doubtful debts | 25,230 | 424 |
| Net bad debt written off | 3,540 | - |
| Net (gain)/loss on disposal of: | | |
| - property,plant and equipment | (9) | (52) |
| - other investment | (81,245) | (10) |
| Gain from forex arising from settlement of bridger loan | (63,450) | - |
| Property, plant and equipment written off | 705 | 107 |
| Plantation development expenditure written off | - | 1,396 |
| Intangible assets written off | 71 | 1,442 |
| Net of inventories written off | 650 | 357 |
| Investment income | (12,414) | (8,370) |
| Profit from construction contract | - | (28,525) |
| Share of results of: | | |
| - Associates | 1,801 | 53,554 |
| - Jointly controlled entities | (3,435) | (259) |
| Operating profit before working capital changes | 678,801 | 406,756 |
| Decrease/(Increase) in inventories | 16,605 | (38,224) |
| Increase in receivables | (333,681) | (68,467) |
| Decrease in payables | (202,534) | (108,778) |
| Decrease in concession liabilities | (12,937) | (9,906) |
| Decrease in provision for liabilities | (3,037) | (2,575) |
| Cash generated from operations | 143,217 | 178,806 |
| Tax and Zakat paid | (60,534) | (46,140) |
| **Net cash generated from operating activities** | **82,683** | **132,666** |

## CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE PERIOD ENDED 30 JUNE 2015

| | 30.06.2015<br>RM'000<br>Unaudited | 30.06.2014<br>RM'000<br>Unaudited |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of: | | |
| - property, plant and equipment | (44,954) | (23,338) |
| - intangibles assets | (122,551) | (318,655) |
| - quoted shares | (37,030) | (36,810) |
| - bonds | (5,000) | - |
| Proceeds from disposal of: | | |
| - property, plant and equipment | - | 52 |
| - other investment | 290,400 | 11 |
| Advance to associates | - | (9,011) |
| Acquisition in a subsidiary | (1,182,856) | - |
| Advance to joint controlled entities | - | (3,271) |
| Additional investment in an associate | (3,000) | (13,650) |
| Additional investment in jointly controlled entities | - | (933,719) |
| Investment income received | 12,414 | 8,370 |
| Interest received | 3,500 | 2,193 |
| **Net cash used in investing activities** | **(1,089,077)** | **(1,327,828)** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Share issuance expenses for private placement | - | (8,169) |
| Proceeds from issuance of shares from private placement | - | 124,050 |
| Proceeds of share premium arising from private placement | - | 855,945 |
| Share issuance expenses for right issue | (6,886) | - |
| Proceeds from issuance of shares from right issue | 275,308 | - |
| Proceeds of share premium arising from right issue | 1,040,665 | - |
| Loan syndication fee payment | (6,988) | - |
| Repayment of loan | (644,032) | - |
| Repayment of bridger loan | (1,119,413) | - |
| Repayment of debenture | (209,451) | - |
| Concession payment | (379,705) | - |
| Drawdown of loans and borrowings | 1,182,856 | 250,000 |
| Interest paid | (125,096) | (42,300) |
| Premium on debenture | (59,169) | - |
| Dividends paid to shareholders of the Company | (28,238) | (18,443) |
| Distribution paid to Perpetual Security Holder | (28,671) | - |
| **Net cash generated from financing activities** | **(108,820)** | **1,161,083** |
| **Net decrease in cash and cash equivalents** | **(1,115,214)** | **(34,079)** |
| Effects of foreign currency translation | (26,393) | (286) |
| Cash and cash equivalents at beginning of period | 2,041,233 | 345,413 |
| **Cash and cash equivalents at end of period** | **899,626** | **311,048** |
| **Cash and cash equivalents comprising:** | | |
| Cash and bank balances | 365,950 | 138,570 |
| Short term deposits | 533,676 | 172,478 |
| | **899,626** | **311,048** |
| Cash and bank balances - Discontinued operation (Note 13) | (104) | (104) |
| | **899,522** | **310,944** |

***The condensed unaudited consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2014. 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 2014.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except as follows:

On 1 January 2015, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015.

Effective for financial periods beginning on or after 1 July 2014.

Amendmend to FRS 119 Defined Benefit Plans: Employee Contributions

Annual Improvements to FRSs 2010-2012 Cycle

- Amendment to FRS 2 Share-based payment
- Amendment to FRS 3 Business Combinations
- Amendment to FRS 8 Operating Segments
- Amendment to FRS 13 Fair Value Measurement
- Amendment to FRS 116 Property, Plant and Equipment
- Amendment to FRS 124 Related Party Disclosure
- Amendment to FRS 138 Intangibles Asset

Annual Improvements to FRSs 2011-2013 Cycle

- Amendment to FRS 1 First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to FRS 3 Business Combinations: Scope exceptions for joint venture
- FRS 13 Fair Value Measurement
- Amendment to FRS 140 Investment Property

The application of the above amendments had no material impact on the financial position or disclosure in the Group’s financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**Standards issued but not yet effective**

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to FRSs 2012 – 2014 Cycle
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 116 and FRS 141: Agriculture: Bearer Plants
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 127: Equity Method in Separate Financial Statements
Amendments to FRS 101: Disclosure Initiatives
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception
FRS 14 Regulatory Deferral Accounts

Effective for financial periods beginning on or after 1 January 2018

FRS 9 Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

**2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**Standards issued but not yet effective (Contd.)**

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is currently assessing the impact upon adopting the amendments to these standards.

Amendments to FRS 116 and FRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 141. Instead, FRS 116 will apply. After initial recognition, bearer plants will be measured under FRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of FRS 141 and are measured at fair value less costs to sell.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are to be applied retrospectively, with early adoption permitted. The Directors anticipate that the application of these amendments will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group and the Company are currently assessing the impact of these amendments and plans to adopt the new standard on the required effective date.

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

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

**2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**Standards issued but not yet effective (Contd.)**

Amendments to FRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to FRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant FRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to FRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to FRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments is not expected to have any impact on the Group's and the Company's financial statements.

Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

**Standards issued but not yet effective (Contd.)**

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

FRS 9 Financial Instruments

In November 2014, the Malaysian Accounting Standards Board issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

**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 2 September 2014, MASB had announced the adoption of MFRS for TEs is deferred to 1 January 2017.

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 2017.

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 2017.

## 3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

## 4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

Airport services segment and retail segment, being the core businesses of the Group were not materially affected by any seasonality or cyclicality during the current quarter and financial period-to-date 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 and financial period-to-date under review.

## 6. SEGMENT INFORMATION

The Group is organised into business segments and geographical segments which 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 and Sama-Sama Express KL International Airport.

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.

## 6. SEGMENT INFORMATION (Contd.)

| | Continuing Operations | | | | | | | | | | Discontinued Operation | Total Operations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Malaysia Operations | | | | | | Overseas Operations | | | | | |
| | Airport Operations | | Non Airport Operations | | | | | | | | | |
| | Airport services | Duty free and non-dutiable goods | Project & repair and maintenance | Hotel | Agriculture & horticulture | Others | Airport operations | Project & repair and maintenance | Consolidation adjustments | TOTAL | | |
| | 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 year ended 30 June 2015** | | | | | | | | | | | | |
| **Segment Revenue** | | | | | | | | | | | | |
| External: | | | | | | | | | | | | |
| Aeronautical | 680,973 | - | - | - | - | - | 199,407 | - | - | 880,380 | - | 880,380 |
| Non-aeronautical: | | | | | | | | | | | | |
| Retail | - | 315,732 | - | - | - | - | - | - | - | 315,732 | - | 315,732 |
| Others | 297,300 | 444 | - | - | - | - | 195,049 | - | - | 492,793 | - | 492,793 |
| Construction | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-airport Operations | - | - | 10,323 | 33,895 | 14,541 | - | 6,122 | 62,353 | - | 127,234 | - | 127,234 |
| Inter-segment sales | 123,496 | 411 | 28,064 | 491 | 2,893 | - | 20,901 | - | (176,256) | - | - | - |
| Inter-segment dividends | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Revenue** | 1,101,769 | 316,587 | 38,387 | 34,386 | 17,434 | - | 421,479 | 62,353 | (176,256) | 1,816,139 | - | 1,816,139 |
| **Segment Results** | | | | | | | | | | | | |
| Profit from operations | 397,567 | (33,220) | 8,094 | 3,475 | 2,402 | 255,929 | 286,996 | 6,481 | (103,690) | 824,034 | - | 824,034 |
| Depreciation and amortisation | (219,126) | (6,251) | (177) | (7,920) | (2,029) | (5,924) | (91,895) | (296) | (79,062) | (412,680) | - | (412,680) |
| Finance costs | (121,307) | 36 | (3) | 8 | - | (140,164) | (202,599) | - | 92,014 | (372,015) | - | (372,015) |
| Share of results of: | | | | | | | | | | | | |
| - associates | (1,801) | - | - | - | - | - | - | - | - | (1,801) | - | (1,801) |
| - jointly controlled entities | - | - | - | - | - | 3,435 | - | - | - | 3,435 | - | 3,435 |
| Profit /(loss) before tax and zakat | 55,333 | (39,435) | 7,914 | (4,437) | 373 | 113,276 | (7,498) | 6,185 | (90,738) | 40,973 | - | 40,973 |
| Tax and Zakat | (35,665) | (1,742) | (1,858) | 1,186 | (131) | 1,260 | (7,880) | (848) | 16,592 | (29,086) | - | (29,086) |
| Profit/(loss) for the year | 19,668 | (41,177) | 6,056 | (3,251) | 242 | 114,536 | (15,378) | 5,337 | (74,146) | 11,887 | - | 11,887 |
| **As at 30 June 2015** | | | | | | | | | | | | |
| **Assets and Liabilities** | | | | | | | | | | | | |
| Segment assets | 12,204,894 | 265,764 | 125,583 | 175,910 | 87,630 | 13,791,862 | 6,012,993 | 94,187 | (11,702,480) | 21,056,343 | 104 | 21,056,447 |
| Investment in associates | 40,234 | - | - | - | - | - | - | - | - | 40,234 | - | 40,234 |
| Investment in jointly controlled entities | - | - | - | - | - | 65,849 | - | - | - | 65,849 | - | 65,849 |
| Total assets | 12,245,128 | 265,764 | 125,583 | 175,910 | 87,630 | 13,857,711 | 6,012,993 | 94,187 | (11,702,480) | 21,162,426 | 104 | 21,162,530 |
| Segment liabilities representing | | | | | | | | | | | | |
| Total liabilities | 8,353,092 | 229,961 | 34,941 | 95,221 | 19,558 | 7,629,698 | 6,878,324 | 71,048 | (10,844,425) | 12,467,418 | 26 | 12,467,444 |

## 6. SEGMENT INFORMATION (Contd.)

| | Continuing Operations | | | | | | | | | | Discontinued Operations | Total Operations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Malaysia Operations | | | | | | Overseas Operations | | | | | |
| | Airport Operations | | Non Airport Operations | | | | | | | | | |
| | Airport services | Duty free and non-dutiable goods | Project & repair and maintenance | Hotel | Agriculture & horticulture | Others | Airport operations | Project & repair and maintenance | Consolidation | TOTAL | | |
| | 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 2014** | | | | | | | | | | | | |
| **Segment Revenue** | | | | | | | | | | | | |
| External: | | | | | | | | | | | | |
| Aeronautical | 656,131 | - | - | - | - | - | - | - | - | 656,131 | - | 656,131 |
| Non-aeronautical: | | | | | | | | | | - | | - |
| Retail | - | 302,767 | - | - | - | - | - | - | - | 302,767 | - | 302,767 |
| Others | 258,099 | 639 | 7,073 | 37,063 | 15,063 | - | - | 17,388 | - | 335,325 | - | 335,325 |
| Construction | 662,405 | - | - | - | - | - | - | - | - | 662,405 | - | 662,405 |
| Internal | 89,528 | 560 | 18,446 | 1,551 | 1,912 | - | - | - | (111,997) | - | - | - |
| | 1,666,163 | 303,966 | 25,519 | 38,614 | 16,975 | - | - | 17,388 | (111,997) | 1,956,628 | - | 1,956,628 |
| **Segment Results** | | | | | | | | | | | | |
| Construction profit | 28,525 | - | - | - | - | - | - | - | - | 28,525 | - | 28,525 |
| Profit from operations (excluding construction profit) | 397,851 | 12,121 | 738 | 5,295 | 1,195 | 25,577 | - | 7,053 | (30,173) | 419,657 | - | 419,657 |
| Depreciation and amortisation | (181,001) | (3,070) | (71) | (6,568) | (2,028) | (7,430) | - | (352) | - | (200,520) | - | (200,520) |
| Finance costs | (44,073) | (83) | (12) | - | (11) | (29,819) | - | - | 29,889 | (44,109) | - | (44,109) |
| Impairment of Investment of associate company | | | | | | (9,011) | - | - | | (9,011) | - | (9,011) |
| Share of results of associates: | | | | | | | | | | | | |
| - associates | 259 | - | - | - | - | - | - | - | - | 259 | - | 259 |
| - jointly controlled entities | - | - | - | - | - | (53,554) | - | - | - | (53,554) | - | (53,554) |
| Profit /(loss) before tax and zakat | 201,561 | 8,968 | 655 | (1,273) | (844) | (74,237) | - | 6,701 | (284) | 141,247 | - | 141,247 |
| Tax and Zakat | (46,402) | (2,647) | (655) | (1,811) | 395 | (5,488) | - | (603) | - | (57,211) | | (57,211) |
| Profit/(loss) for the year | 155,159 | 6,321 | - | (3,084) | (449) | (79,725) | - | 6,098 | (284) | 84,036 | - | 84,036 |
| **As at 30 June 2014** | | | | | | | | | | | | |
| **Assets and Liabilities** | | | | | | | | | | | | |
| Segment assets | 11,640,990 | 266,694 | 102,677 | 169,811 | 83,530 | 10,184,496 | - | 36,537 | (11,357,069) | 11,127,666 | 104 | 11,127,770 |
| Investment in associates | 37,230 | - | - | - | - | - | - | - | - | 37,230 | - | 37,230 |
| Investment in jointly controlled entities | - | - | - | - | - | 845,304 | - | - | - | 845,304 | - | 845,304 |
| Total assets | 11,678,220 | 266,694 | 102,677 | 169,811 | 83,530 | 11,029,800 | - | 36,537 | (11,357,069) | 12,010,200 | 104 | 12,010,304 |
| Segment liabilities representing | | | | | | | | | | | | |
| Total liabilities | 7,800,367 | 151,862 | 24,636 | 83,747 | 16,624 | 7,294,870 | - | 26,132 | (9,180,987) | 6,217,251 | 43 | 6,217,294 |

## 7. PROFIT BEFORE TAX AND ZAKAT

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 30.06.2015 RM'000 | Preceding Year Corresponding Quarter 30.06.2014 RM'000 | Current Year Quarter 30.06.2015 RM'000 | Preceding Year Corresponding Quarter 30.06.2014 RM'000 |
| **Included in Other Income:** | | | | |
| Interest income: | | | | |
| -Unquoted Investment, bond and staff loan | 2,517 | 1,075 | 3,500 | 2,193 |
| -Other loan and receivables | 6,116 | 2,810 | 10,867 | 5,736 |
| -Gain on financial instrument at fair value through profit or loss | 229 | (1,705) | 1,532 | 60 |
| Investment Income | 7,775 | 6,388 | 12,414 | 8,370 |
| Net realised foreign exchange gain | 528 | 861 | 1,487 | 1,664 |
| Realised foreign exchange gain arising from settlement of bridger loan | - | - | 63,450 | - |
| Net gain/(loss) on disposal of: | | | | |
| - Property, plant and equipment | 9 | 52 | 9 | 52 |
| - Investment | 81,245 | - | 81,245 | - |
| - Others | - | 10 | - | 10 |
| Recoupment of expenses | 30,153 | 17,502 | 61,053 | 36,449 |
| **Included in Other Expenses:** | | | | |
| Net provision of doubtful debts | 20,346 | 666 | 25,230 | 424 |
| Net bad debt written off | - | - | 3,540 | - |
| Property, plant and equipment written off | 5 | (12) | 705 | - |
| Plantation development expenses written off | - | - | - | 1,396 |
| Intangible assets written off | - | 940 | 71 | 1,442 |
| Net inventories written off | 608 | 309 | 650 | 357 |
| User fee | 72,910 | 65,845 | 140,711 | 128,954 |
| **Included in Finance Cost:** | | | | |
| Interest expense: | | | | |
| - Concession payables and borrowings | 55,352 | 36,051 | 125,096 | 42,300 |
| - Premium on debenture | 59,169 | - | 59,169 | - |
| - Financial liabilities | 97,523 | 873 | 187,693 | 1,747 |
| - Loss on financial instrument at fair value through profit or loss | 57 | (76) | 57 | 62 |

## 8. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no 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 2 January 2015, the Company has drawndown a Bridger Loan facility amounting to Euro 279.2 million (equivalent to RM1,182.9 million) to fund the acquisition of Istanbul Sabiha Gokcen Uluslararasi Havalimani Yatirim Yapim ve Isletme A.S. ("ISG") and LGM Havalimani Isletmeleri Ticarat ve Turizm A.S. ("LGM"). The Bridger Loan facility was repaid on 2 April 2015 by utilising the proceeds from the issuance of Rights Shares. Upon settlement of the loan, there was a gain on foreign exchange of RM63.4 million arising from the translation of the bridger loan.

On 5 January 2015, the Company has repaid its revolving credit facility amounting to RM250.0 million by utilising the proceeds raised from the issuance of RM1.0 billion Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme which was issued on 15 December 2014 as stated in Note 25.

On 21 January 2015, ISG has repaid its secured subordinated loan principal amount of Euro 80.0 million. On 30 January 2015, LGM has repaid its unsecured term loan principal amount of Euro 6.1 million. The repayment of the loans were made by utilising the proceeds from the Euro 500.0 million on secured senior term loan facility which was fully drawndown by ISG on 24 December 2014.

On 23 January 2015, the Company has increased the share issued and paid-up share capital of the Company to RM1.4 billion via issuance of 2,391,485 ordinary shares of RM1.00 each pursuant to DRP as stated in note 25, in relation to the single-tier interim dividend of 2.0% for the financial year ended 31 December 2014.

On 27 March 2015, the Company has increased the share issued and paid-up capital of the Company to 1,651,849,606 via issuance of 275,308,267 Rights Shares as stated in Note 25.

On 25 May 2015, the Company has fully redeemed its debentures at nominal value plus premium amounting to USD74.0 million (equivalent to RM268.6 million) by utilising the proceeds from the disposal of its stake in Delhi International Airport Private Limited ("DIAL") as stated in Note 12 and 25.

On 19 June 2015, the Company has further increased the share issued and paid-up share capital of the Company to 1,659,191,828 via issuance of 7,342,222 new ordinary shares of RM1.00 each pursuant to DRP as stated in Note 25, in relation to the single-tier final dividend of 3.60% for the financial year ended 31 December 2014.

The new ordinary shares issued during the current quarter and financial period-to-date rank pari passu in all respect with the existing shares of the Company.

Save for the above, there were no other issuance and/or 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 interim dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2014 was declared on 25 November 2014. The interim dividend amounting to RM27.5 million of which RM12.8 million was paid on 22 January 2015 and the remaining RM14.7 million was reinvested on 23 January 2015.

A single-tier final dividend of 3.60 sen per ordinary share in respect of the financial year ended 31 December 2014 was approved by the Shareholders at its Annual General Meeting held on 5 May 2015. The final dividend amounting to RM59.5 million of which RM15.4 million was paid on 18 June 2015 and the remaining RM44.1 million was reinvested on 19 June 2015.

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 25 May 2015, the Company has disposed its entire 10% equity interest in DIAL at a Sale Consideration of USD80.0 million as stated in Note 9 and 25.

There were no 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 18 September 2013, KL Airport Hotel Sdn Bhd had issued a written notice of termination to ATOZ Hospitality Services Sdn Bhd, to terminate Sama-Sama Hospitality Management Sdn Bhd ("SSHM").

As at 30 June 2015, 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 profit or loss as discontinued operation.

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 attempt to have SSHM wound up via voluntary winding up failed. This process is expected to be concluded by end of 2015.

There were no movement in the Income Statements of the discontinued operation in the current quarter and financial period-to-date under review.

**13. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR DISPOSAL (Cont'd)**

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

| | 30.06.2015 RM'000 Unaudited | 31.12.2014 RM'000 Audited |
|---|---|---|
| **Assets** | | |
| Cash & bank balances | 104 | 104 |
| **Liabilities** | | |
| Other payables | 26 | 26 |

**14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

a) Financial Guarantee

i) As at 30 June 2015, six letters of guarantee amounting to Euro 109.2 million (equivalent to RM458.6 million), representing 6% of total amount payable were provided by ISG to the Administration for the right to operate the ISGIA as set out in the Concession Agreement.

ii) On 11 September 2013, a wholly-owned subsidiary of the Group, MACS has provided a Corporate Guarantee to the Government of the State of Qatar represented by Hamad International Airport Steering Committee 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 financial 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 2015.

b) Contingent Liability

ISG is involved in, and may from time to time be involved in a number of legal proceedings. There are 254 employee lawsuits filed against ISG either directly or indirectly via sub-contractors. The total amount of claims against the Group is Euro 1.3 million (equivalent to RM5.4 million). The Group recognised a provision for these claims of Euro 0.3 million (equivalent to RM1.5 million) in the consolidated financial statements considering that ISG cannot establish the rest of the claims and that a probable loss will occur.

Save for the above, there were no other changes in contingent liabilities since 31 December 2014. The Group has no contingent assets.

## 15. RELATED PARTY TRANSACTIONS AND BALANCES

### Related Party Transaction:

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To Date | Preceding Year Corresponding Period |
| | 30.06.2015 RM'000 | 30.06.2014 RM'000 | 30.06.2015 RM'000 | 30.06.2014 RM'000 |
| **Revenue:** | | | | |
| Associate: | | | | |
| Lease rental | | | | |
| - KL Aviation Fuelling System Sdn. Bhd. | 1,489 | 1,489 | 2,977 | 2,977 |
| Management Fee | | | | |
| - LGM Airport Operations Trade and Tourism Inc. * | - | 266 | - | 555 |
| Jointly Controlled Entities: | | | | |
| Lease rental | | | | |
| - Segi Astana Sdn. Bhd. | 318 | 318 | 636 | 636 |
| - Airport Cooling Energy Supply Sdn. Bhd. | 222 | 222 | 444 | 444 |
| - MFMA Development Sdn Bhd | 450 | - | 450 | - |
| Concession Fee | | | | |
| - MFMA Development Sdn Bhd | 142 | - | 284 | - |
| **Expenses:** | | | | |
| Associate: | | | | |
| Interest on outstanding payment | | | | |
| - Istanbul Sabiha Gokcen International Airport | - | 163 | - | 241 |
| Jointly Controlled Entities: | | | | |
| Airport Cooling Energy Supply Sdn. Bhd. | | | | |
| - Utilities | 8,031 | 5,354 | 16,063 | 5,354 |
| - Utilities (Variable usage) | 8,959 | 1,843 | 8,959 | 1,843 |
| - Less Rebate | (1,081) | - | (2,044) | - |
| - Interest on concession payable | 5,340 | 3,560 | 10,681 | 3,560 |
| Segi Astana Sdn. Bhd. | | | | |
| - Rental of shops and warehouse | 715 | 311 | 1,423 | 311 |
| - Water and electricity | 63 | 88 | 136 | 88 |
| - Car park | 42 | 51 | 42 | 51 |
| **Other Transactions:** | | | | |
| Jointly Controlled Entities: | | | | |
| Airport Cooling Energy Supply Sdn. Bhd. | | | | |
| - Construction Cost | - | 5,349 | - | 21,395 |
| - Payment on concession payable | 2,675 | 1,783 | 5,349 | 1,783 |
| Other Related Party: | | | | |
| Construction Cost | | | | |
| - UEMC-Bina Puri J.V. | - | 4,544 | - | 22,151 |

* Before these entities became wholly owned subsidiaries as at 31 December 2014

### Related Party Balances:

| | As at 30.06.2015 RM'000 Unaudited | As at 31.12.2014 RM'000 Audited |
|---|---|---|
| Amount owing by associated company | 526 | 515 |
| Amount owing to jointly controlled entities | - | 6,530 |
| Amount owing to other related party | 500 | 500 |

## 16. CAPITAL COMMITMENTS

i) The amount of commitments for the lease rental, purchase of property, plant and equipment and other investment not provided for in the interim condensed consolidated financial statements as at 30 June 2015 were as follows:

| | Due year 2015 RM'000 | Due year 2016 to 2019 RM'000 | Due year 2020 to 2066 RM'000 | Total RM'000 |
|---|---|---|---|---|
| (i) Approved and contracted for: | | | | |
| Lease rental payable to the GoM other than within the operating agreements | - | - | 66,063 | 66,063 |
| Capital expenditure | 62,387 | - | - | 62,387 |
| | 62,387 | - | 66,063 | 128,450 |
| (ii) Approved but not contracted for: | | | | |
| Capital expenditure | 391,158 | - | - | 391,158 |
| (iii) Other investment: | | | | |
| Investment in ISG | - | 132,423 | - | 132,423 |
| Investment in MFMA Development Sdn. Bhd. | - | 49,351 | - | 49,351 |
| | 453,545 | 181,774 | 66,063 | 701,382 |

## 17. SUBSEQUENT EVENTS

There were no other 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

**Quarter-on-Quarter**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 30.06.2015 RM'000 | Preceding Year Corresponding Quarter 30.06.2014 RM'000 | Current Year to Date 30.06.2015 RM'000 | Preceding Year Corresponding Period 30.06.2014 RM'000 |
| Revenue | 939,960 | 1,175,547 | 1,816,139 | 1,956,628 |
| Profit before tax and zakat | 1,676 | (37,729) | 40,973 | 141,247 |

**Revenue**

The consolidated revenue of the Group for the current quarter under review amounted to RM940.0 million was 20.0% or RM235.6 million lower than the same corresponding quarter last year.

Included in the Group's consolidated revenue for the current quarter under review were the revenues recognised in ISG and LGM totalling RM218.9 million. ISG and LGM were acquired on 31 December 2014.

i) Airport operations

When excluding construction revenue, revenue from airport operations for the current quarter under review amounted to RM868.3 million, 45.5% or RM271.5 million higher than the corresponding period in 2014. Construction revenue of RM540.8 million in the prior year was in respect of the construction of klia2, which was completed in May 2014.

## 18. PERFORMANCE REVIEW

**Quarter-on-Quarter (Contd.)**

Included in revenue from airport operations for the current quarter under review were revenues contributed by ISG and LGM amouted to RM216.2 million. Excluding ISG and LGM, revenue from airport operations was 9.3% or RM55.3 million higher than the corresponding quarter last year (Q2 2015: RM652.2 million; Q2 2014: RM596.9 million).

The increase in the Group's airport operations revenue was mainly attributed to the increase in aeronautical revenue. Aeronautical revenue increased by 42.7% or RM137.4 million (Q2 2015: RM458.9 million; Q2 2014: RM321.5 million), which was largely contributed by revenue from ISG of RM110.5 million.

Excluding ISG, aeronautical revenue increased by 8.4% or RM26.9 million (Q2 2015: RM348.4 million; Q2 2014: RM321.5 million). The main contributing factor to the increased revenue was lower Airline Incentives which decreased by 41.0% or RM14.5 million mainly due to additional Airline Incentive accrual of RM23.0 million in respect of 2013 which was adjusted in June 2014. The improvement in aeronautical revenue was also driven by higher aircraft and passenger movements leading to higher Passenger Service Charges ("PSC") which increased by 3.0% or RM6.3 million and higher Landing revenue which increased by 5.0% or RM4.5 million.

The favourable variance in revenue from the Group's airport operations was also attributed to the increase in non-aeronautical revenue. Non-aeronautical revenue increased by 48.7% or RM134.0 million (Q2 2015: RM409.4 million; Q2 2014: RM275.4 million), when including non-aeronautical revenue from ISG and LGM totalling RM105.7 million. Excluding ISG and LGM, non-aeronautical revenue increased by 10.3% or RM28.3 million (Q2 2015: RM303.7 million; Q2 2014: RM275.4 million). This improvement was driven by higher retail and rental revenue by 11.8% or RM16.6 million and 8.7% or RM11.8 million respectively.

The passenger movements for airports operated by MAHB in Malaysia for the current quarter under review increased by 1.2% to 20.9 million passengers as compared to the corresponding quarter last year of 20.7 million passengers. The domestic passenger movements increased by 2.6% while international passenger movements decreased by 0.4%. Passenger movements at KLIA-LCCT/klia2 increased by 12.4% (international:+9.9%, domestic:+17.4%). Passenger movements at KLIA-Main Terminal decreased by 11.3% (international:-7.9%, domestic: -21.5%).

The passenger movements for ISGIA for the current quarter under review increased by 16.5% to 7.0 million passengers as compared to the corresponding quarter last year of 6.0 million passengers. The international and domestic passenger movements increased by 9.6% and 20.5% respectively.

**18. PERFORMANCE REVIEW (Contd.)**

**Quarter-on-Quarter (Contd.)**

ii) Non-airport operations

For the current quarter under review, the businesses from the non-airport segment registered an increase in revenue of 89.1% or RM33.8 million for which LGM contributed RM2.8 million.

Excluding LGM, revenue from non-airport operations segment improved by 81.8% or RM31.0 million (Q2 2015: RM68.9 million; Q2 2014: RM37.9 million). The improvement was largely contributed by revenue from the project and repair maintenance and agriculture segments which increased by 256.7% or RM32.6 million (Q2 2015: RM45.3 million; Q2 2014: RM12.7 million) and 6.1% or RM0.5 million (Q2 2015: RM8.7 million; Q2 2014: RM8.2 million) respectively. Revenue from the hotel segment, however decreased by 12.4% or RM2.1 million (Q2 2015: RM14.9 million; Q2 2014: RM17.0 million).

The positive variance in the project and repair maintenance revenue in the current quarter was mainly due to higher revenue recorded from MACS Middle East LLC, a company that provides facilities maintenance services at Hamad International Airport.

**18. PERFORMANCE REVIEW (Contd.)**

**Quarter-on-Quarter (Contd.)**

**Profit before tax and zakat**

The Group recorded profit before taxation and zakat ("PBT") of RM1.7 million in the current quarter under review as compared to loss before taxation and zakat of RM37.7 million in the previous corresponding quarter.

For the current quarter under review, ISG and LGM recorded a PBT of RM17.9 million prior to taking into account the loss of RM45.5 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.

There were no construction profits recognised in the current quarter as compared to RM23.3 million accounted for in the corresponding quarter last year due to the completion of klia2 in May 2014.

Excluding the construction profit as well as the results of ISG and LGM, the Group recorded a PBT of RM29.2 million in the current quarter under review as compared to a loss of RM61.0 million in the previous corresponding quarter. The favourable variance was mainly due net share of profit from jointly controlled entities ("JCE") of RM2.4 million recorded in the current quarter as compared to net loss in the previous corresponding quarter of RM55.1 million and gain arising from the disposal of MAHB's stake in DIAL of RM81.2 million.

The favourable variance in PBT was negated by higher total costs by 21.9% or RM148.3 million (Q2 2015: RM824.0 million; Q2 2014: RM675.7 million) primarily arising from klia2 which started its operation in May 2014. The increase in these costs were attributed to the increases in finance costs by 186.7% or RM68.8 million, staff costs by 25.0% or RM40.1 million and provision for doubtful debts by 2955.0% or RM19.7 million.

Total costs for ISG and LGM for the current quarter under review was RM251.2 million, comprising mainly of finance costs, depreciation and amortisation and administrative cost amounting to RM106.5 million, RM85.7 million and RM28.6 million respectively.

Share of results of associates and JCE

Share of associate losses in the current quarter under review amounting to RM1.9 million as compared to net profit of RM2.8 million for the same quarter in 2014. The unfavourable variance was due to lower share of profit from Kuala Lumpur Aviation Fuelling System Sdn Bhd ("KAF") and higher share of loss from MFMA Development Sdn Bhd ("MFMA") by 53.0% or RM0.8 million and 56.0% or RM0.9 million respectively.

Share of JCE profit in the current quarter under review amounting to RM2.4 million as compared to net loss of RM55.1 million for the same quarter last year, an improvement of 104.0% or RM57.5 million.

**18. PERFORMANCE REVIEW (Contd.)**

Included in the previous corresponding quarter was the recognition of ISG and LGM losses of RM54.5 million and RM1.3 million respectively. Included in the share of losses in ISG in the previous corresponding quarter was the one-off recognition of previously unrecognised losses of RM42.5 million, pursuant to the additional acquisition when MAHB held a jointly controlled entity stake in ISG.

**b) Year-on-Year**

**Revenue**

The Group consolidated revenue for the financial period-to-date under review was 7.2% or RM140.5 million lower than the same corresponding period last year.

Included in the Group's consolidated revenue for the financial period-to-date under review were revenues recognised in ISG & LGM totalling RM400.6 million. ISG and LGM were acquired on 31 December 2014.

i) Airport operations

When excluding construction revenue, revenue from airport operations for the financial period-to-date under review amounted to RM1,689.4 million, 38.7% or RM471.8 million higher than the corresponding period in 2014. Construction revenue of RM662.4 million in the prior year was in respect of the construction of klia2, which was completed in May 2014.

Included in revenue from airport operations for the financial period-to-date under review was RM395.0 million, contributed by ISG and LGM. Excluding ISG and LGM, revenue from airport operations was 6.3% or RM76.8 million higher than the corresponding quarter last year (YTD 2015: RM1,294.4 million; YTD 2014: RM1,217.6 million).

The increase in the Group's airport operations revenue was mainly attributed to the increase in non-aeronautical revenue. Non-aeronautical revenue increased by 44.1% or RM247.5 million (YTD 2015: RM809.0 million; YTD 2014: RM561.5 million), when including non-aeronautical revenue from ISG and LGM totalling RM195.6 million. Excluding ISG and LGM, non-aeronautical revenue increased by 9.3% or RM52.0 million (YTD 2015: RM613.5 million; YTD 2014: RM561.5 million). This improvement was driven by higher rental and retail revenues by 15.1% or RM39.0 million and 4.3% or RM13.0 million respectively.

The favourable variance in revenue from the Group's airport operations was also attributed to the increase in aeronautical revenue. Aeronautical revenue increased by 34.2% or RM224.2 million (YTD 2015: RM880.4 million; YTD 2014: RM656.1 million), which mainly due to revenue from ISG of RM199.4 million.

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

**18. PERFORMANCE REVIEW (Contd.)**

**b) Year-on-Year**

Excluding ISG, aeronautical revenue increased by 3.8% or RM24.8 million (YTD 2015: RM681.0 million; YTD 2014: RM656.1 million) mainly contributed by lower Airline Incentive which decreased by 25.6% or RM14.4 million mainly due to additional accrual of 2013 Airline Incentive amounting to RM23.0 million which was adjusted in June 2014. The improvement in aeronautical revenue was also driven by higher aircraft movements coupled with higher usage of wide-body aircrafts leading to higher Landing revenue which increased by 5.7% or RM9.9 million.

The favourable variance in aeronautical revenue was also due to higher MARCS PSC by 27.6% or RM9.5 million. The Group has started to recognise MARCS PSC for passengers who travelled on and after 12 February 2014. As stipulated in the Operating Agreement ("OA") signed on 12 February 2009, the Benchmark PSC rates are revised every 5 years based on the agreed calculation as stated in the OA. The 2nd Tariff Cycle revision became effective 12 February 2014. MARCS PSC of RM44.1 million was recognised in the financial period-to-date under review for the difference between actual PSC and Benchmark PSC rates.

| RM Per Pax | Actual PSC | Benchmark PSC Rates of 2nd Tariff Cycle | MARCS PSC |
|---|---|---|---|
| International PSC/PSSC (All airports except LCCTs) | 65 | 71 | 6 |
| Domestic PSC/PSSC (all airports except LCCTs) | 9 | 10 | 1 |
| International PSC (for LCCTs only) | 32 | 35 | 3 |
| Domestic PSC (for LCCTs only) | 6 | 7 | 1 |
| International PSC/PSSC (Secondary airports and BIMP-AEGA/IMT-GT) | 26 | 28 | 2 |

However, the favourable variance in aeronautical revenue was negated by lower MARCS on Expresss Rail Link ("ERL") by 27.7% or RM9.2 million. MARCS ERL was recognised for payment remitted to ERL upon collection of PSC from the airlines.

The passenger movements for airports operated by MAHB in Malaysia for the financial period-to-date under review slightly increased by 0.01% to 41.3 million passengers. The domestic passenger movements increased by 1.8% while international passenger movements decreased by 1.9%. Passenger movements at KLIA-LCCT/klia2 increased by 5.2% (international:+4.6%, domestic:+6.4%). Passenger movements at KLIA-Main Terminal decreased by 8.0% (international:-5.8%, domestic: -14.7%).

**18. PERFORMANCE REVIEW (Cont'd)**

The passenger movements for ISGIA for the financial period-to-date under review increased by 16.6% to 12.6 million passengers as compared to the corresponding period last year of 10.8 million passengers. The international and domestic passenger movements increased by 11.8% and 19.3% respectively.

ii) <u>Non-airport operations</u>

For the financial period-to-date under review, the businesses from the non-airport segment registered an increase in revenue of 65.5% or RM50.1 million for which LGM contributed to RM5.6 million.

Excluding LGM, revenue from non-airport operations segment improved by 58.1% or RM44.5 (YTD 2015: RM121.1 million; YTD 2014: RM76.6 million). The improvement was largely contributed by revenue from the project and repair maintenance segment which increased by 196.7% or RM48.2 million (YTD 2015: RM72.7 million; YTD 2014: RM24.5 million). Revenue from the hotel and agriculture segments decreased by 8.5% or RM3.2 million (YTD 2015: RM33.9 million; YTD 2014: RM37.1 million) and 3.5% or RM0.5 million (YTD 2015: RM14.5 million; YTD 2014: RM15.1 million) respectively.

The positive variance in the project and repair maintenance revenue in the financial period-to-date was mainly due to higher revenue recorded from MACS Middle East LLC, a company that provides facilities maintenance services at the Hamad International Airport.

**<u>Profit before tax and zakat</u>**

The Group recorded profit before taxation and zakat ("PBT") of RM41.0 million in the financial period-to-date under review as compared to RM141.2 million in the previous corresponding period.

For the financial period-to-date under review, ISG and LGM recorded a loss before tax of RM7.5 million prior to taking into account the loss of RM90.7 million recognised primarily due to the amortisation of fair value for the concession rights.

There were no construction profits recognised in the financial period-to-date as compared to RM28.5 million accounted for in the corresponding period last year due to the completion of klia2 in May 2014.

Excluding the construction profit as well as the results of ISG and LGM, the Group recorded a PBT of RM139.2 million in the financial period-to-date under review as compared to RM112.7 million in the previous corresponding period. The favourable variance in PBT was mainly due to higher other income which included the one-off gain on foreign exchange of RM63.4 million arising from the translation of the bridger loan and gain arising from the disposal of MAHB's stake in DIAL of RM81.2 million.

The favourable variance in PBT was negated by higher total costs by 27.7% or RM330.8 million (YTD 2015: RM1,525.1 million; YTD 2014: RM1,194.3 million) primarily arising from klia2 which started its operation in May 2014.

**18. PERFORMANCE REVIEW (Cont'd)**

The increase in these costs were attributed to the increases in finance costs by 249.5% or RM110.0 million, depreciation and amortisation by 20.5% or RM41.2 million, staff costs by 19.7% or RM60.1 million, provision for doubtful debt by 5850.5% or RM24.8 million, repair and maintenance costs 27.1% or RM22.6 million, administrative costs by 21.6% or RM14.8 million and utilities by 9.8% or RM13.7 million.

Total costs for ISG and LGM for the financial period-to-date under review was RM503.7 million, comprising mainly of finance costs, depreciation and amortisation, administrative cost, repair and maintenance and staff costs amounting to RM217.9 million, RM171.0 million, RM50.6 million, RM30.6 million and RM23.6 million respectively.

Share of results of associates and JCE

Share of associate losses in the financial period-to-date under review amounting to RM1.8 million as compared to net profit of RM0.3 million for the same period in 2014. The unfavourable variance was mainly due to lower share of profit from KAF and higher share of loss from MFMA by 37.0% or RM1.0 million and 40.0% or RM1.0 million respectively.

Share of jointly controlled entities profit in the financial period-to-date under review amounting to RM3.4 million as compared to net loss of RM53.6 million for the same period last year, an improvement of 106.0% or RM57.0 million.

Included in the previous corresponding period was the recognition of ISG and LGM losses of RM54.5 million and RM1.3 million respectively. Included in the share of losses in ISG in the previous corresponding period was the one-off recognition of previously unrecognised losses of RM42.5 million, pursuant to the additional acquisition when MAHB held a jointly controlled entity stake in ISG.

## 18. PERFORMANCE REVIEW (Cont'd)

### ECONOMIC PROFIT STATEMENT

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 30.06.2015 RM'000 | Preceding Year Corresponding Quarter 30.06.2014 RM'000 | Current Year to Date 30.06.2015 RM'000 | Preceding Year Corresponding Period 30.06.2014 RM'000 |
| **Net Operating Profit Less Adjusted Tax (NOPLAT) computation.** | | | | |
| Earnings before interest and tax (EBIT*) | 204,271 | 51,970 | 398,343 | 239,733 |
| Adjusted Tax | (51,068) | (12,992) | (99,586) | (59,933) |
| NOPLAT | 153,203 | 38,978 | 298,757 | 179,800 |
| **Economic charge computation** | | | | |
| Average invested capital | 16,339,936 | 8,440,239 | 16,339,936 | 8,440,239 |
| Weighted average cost of capital per annum | 6.29% | 6.90% | 6.29% | 6.90% |
| Economic Charge | 256,945 | 145,594 | 513,891 | 291,188 |
| Economic loss | (103,742) | (106,616) | (215,134) | (111,388) |

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

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 RM103.7 million for the current quarter under review lower than RM106.6 million recorded in the corresponding quarter last year. However, the Group recorded economic loss of RM215.1 million for the financial period-to-date under review as compared to economic loss of RM111.4 million recorded in the corresponding period last year. Higher economic loss in the financial period-to-date under review was due to the higher average invested capital contributed by ISG's and LGM's assets.

## 18. PERFORMANCE REVIEW (Cont'd)

### HEADLINE KEY PERFORMANCE INDICATORS ("KPIs")

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

| | | Headline KPIs for year 2015 | | Actual achievements 30 June 2015 | |
|---|---|---|---|---|---|
| | | Without ISG & LGM | With ISG & LGM | Without ISG & LGM | With ISG & LGM |
| i) | EBITDA (RM'000) | 880,189 | 1,522,417 | 533,455 | 824,035 |
| ii) | Airport Service Quality Survey Ranking | Above 40 million passenger size category: KLIA Ranking Top 5 | | Above 40 mppa - ranking at no.7 | |

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

| | INDIVIDUAL QUARTER | |
|---|---|---|
| | Current Year Quarter 30.06.2015 RM'000 | Immediate Preceding Quarter 31.03.2015 RM'000 |
| Revenue | 939,960 | 876,179 |
| Profit before tax and zakat | 1,676 | 39,296 |

**Revenue**

The consolidated revenue of the Group for the current quarter under review increased by 7.3% or RM63.8 million as compared to the immediate preceding quarter, primarily owing to revenue from ISG and LGM of RM37.3 million.

When excluding revenue contributions from ISG and LGM, the consolidated revenue for the current quarter under review increased by 3.8% or RM26.5 million as compared to the immediate preceding quarter.

There were no construction revenue recorded in both quarters.

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

a) Airport operation

Airport operations revenue was higher by 5.8% or RM47.3 million as compared to the immediate preceeding quarter for which RM37.4 million was contributed by ISG and LGM.

Excluding ISG and LGM, revenue from airport operations was 1.5% or RM9.9 million higher than the immediate preceding quarter (Q2 2015: RM652.2 million; Q1 2015: RM642.3 million). The favourable variance was due to the increase of 4.8% or RM15.9 million in aeronautical revenue. This was due to higher PSC revenue and MARCS ERL by 4.9% or RM9.2 million and 91.4% or RM7.5 million respectively. The higher PSC revenue was attributable to higher passengers movements.

However, the favourable variance in the airport operation was negated by lower non-aeronautical revenue mainly attributable to lower rental and retail revenues which decreased by 3.0% or RM4.5 million and 1.0% or RM1.5 million respectively.

The passenger movements for airports operated by MAHB in Malaysia for the current quarter under review increased by 2.5% as compared to the immediate preceding quarter, in which the domestic passenger movements increased by 5.0% while international passenger movements decreased by 0.2%. Passenger movements at KLIA-LCCT/klia2 increased by 4.2% (international: 2.2%, domestic: 8.2%). Passenger movements at KLIA-Main Terminal decreased by 2.7% (international: -3.2%, domestic: -1.0%).

The passenger movements for ISGIA for the current quarter under review increased by 25.5% to 7.0 million passengers as compared to the preceding quarter 5.6 million passengers. The international and domestic passenger movements increased by 23.8% and 26.4% respectively.

b) Non-airport operations

Non-airport operations revenue was higher by 30.0% or RM16.5 million as compared to the immediate preceeding quarter. Non-airport operations revenue contributed by LGM amounted to RM2.8 million (Q1 2015: RM2.9 million).

Excluding LGM, revenue from the non-airport operations segment recorded an increase of 31.8% or RM16.6 million (Q2 2015: RM68.9 million; Q1 2015: RM52.2 million) mainly due to the higher revenue recorded by the project and repair maintenance segment and agriculture segments by 65.6% or RM17.9 million and 48.3% or RM2.8 million respectively. The overall increase was negated by lower revenues in the hotel segment by 21.8% or RM4.1 million.

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

**Profit before tax and zakat**

The Group recorded PBT of RM1.7 million in the current quarter under review, lower than RM39.3 million recorded in the preceding quarter.

ISG and LGM recorded PBT of RM18.0 million in the current quarter under review as compared to net loss before tax of RM26.5 million in the immediate preceding quarter prior taking into account the loss recognised primarily due to amortisation of fair value of the concession rights of RM45.5 million and RM45.2 million respectively.The improvement was mainly contributed by higher revenue and higher other income by 20.5% or RM37.3 million and 2423% or RM4.5 million respectively.

PBT excluding ISG and LGM was RM29.2 million, lower by RM80.7 million from the RM110.0 million recorded in the preceding quarter.

There were no construction profit recognised in both quarters.

The unfavourable variance in PBT was due to higher total costs by 17.5% or RM122.9 million mainly due to higher finance cost, staff costs, provision for doubtful debts and utilities which increased by 117.7% or RM57.1 million, 21.1% or RM34.9 million, 316.6% or RM15.5 million and 11.4% or RM8.3 million respectively. Higher finance costs was due to interest amounting to RM59.2 million arising from the redemption of debenture for DIAL at a premium and interest cost of borrowing incurred for klia2. The unfavourable variance was cushioned by higher other income by 14.0% or RM16.4 million.

## 20. COMMENTARY ON PROSPECTS

The total passenger movements handled by airports under MAHB including ISGIA increased to 28.0 million in second quarter of 2015 from 26.0 million in the first quarter, registering 7.5% growth over the first quarter. Year-on-year, second quarter traffic grew by 4.6% over the same corresponding period last year. Domestic movements increased by 7.3% while international movements increased by 1.4%.

Malaysia's traffic for the second quarter registered 20.9 million passenger movements, an increase of 1.2% over the same period in 2014. The second quarter traffic increased by 2.5% over the first quarter. International traffic decreased by 0.2% while domestic increased by 5.0%. The aircraft movements increased by 6.3% year-on-year.

ISGIA handled 7.0 million passengers in the second quarter, an increase of 16.5% over the same period in 2014. International movements increased by 9.6% while domestic movements increased by 20.5% over the same period last year. Aircraft movements increased 17.8% over the same period last year.

Second quarter performance was credible considering the current unfavourable global economic environment and despite the slower June traffic due to the lesser travel in the Ramadhan month. China traffic is now registering double digit growth which is partly due to the Malaysian government's continuous effort to stimulate inbound tourism from China. British Airways performance has also been encouraging and All Nippon Airways is scheduled to start operating in September.

The IMF in July 2015 further revised downward the global economic forecast to 3.3% from 3.5% projected in April 2015 which was already a reduction from 3.8% in October 2014. There are several other issues of concern including Malaysia Airlines' restructuring outcome and the cutting of routes and frequencies and AirAsia X's deferment of expansion plan. Despite that, we foresee a positive trend moving forward and expect 2015 passenger traffic target of 85.8 million passenger movements for Malaysia to be within the achievable range. To date, ISG's has yielded very favourable passenger numbers and we foresee this will continue.

## 21. PROFIT FORECAST

The disclosure requirements for explanatory notes for the variance of actual profit attributable to equity holder of the company and forecast profit are not applicable.

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

## 22. TAXATION AND ZAKAT

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year to Date | Preceding Year Corresponding Period |
| | 30.06.2015 RM'000 | 30.06.2014 RM'000 | 30.06.2015 RM'000 | 30.06.2014 RM'000 |
| Current tax | 19,733 | 10,517 | 52,200 | 63,197 |
| Deferred taxation | (453) | (3,572) | (25,621) | (5,986) |
| Zakat | 2,507 | - | 2,507 | - |
| | 21,787 | 6,945 | 29,086 | 57,211 |

## 23. SALE OF PROPERTIES

There were no sales of properties since 31 December 2014.

## 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

Save for the followings, there are no other ongoing corporate proposals announced by the Group but not completed as at 29 July 2015 being a date not earlier than 7 days from the date of issuance of the quarterly report except for disposal of MAHB's stake in DIAL which had been completed during the current quarter and financial period-to-date under review.

a) Dividend Reinvestment Plan

The Dividend Reinvestment Plan ("DRP") was approved by the Shareholders at the Extraordinary General Meeting held 30 November 2012. The DRP provides Shareholders an option to elect to reinvest their cash dividend(s) declared by the Company (whether interim, final, special or any other cash dividend) ("Dividend(s)") in new ordinary shares of RM1.00 each in MAHB ("MAHB Shares").

The DRP provides Shareholders with an opportunity to reinvest their Dividends in new MAHB Shares ("New Shares") in lieu of receiving cash. Shareholders are expected to benefit from their participation in the DRP as the New Shares may be issued at a discount and their subscription of such New Shares will be free from any brokerage fees and other related transaction costs. In addition, the DRP also provides the Shareholders with greater flexibility to meet their investment objectives as they would have the choice of receiving Dividends in cash or reinvesting into the Company through the subscription of additional Shares.

**25. STATUS OF CORPORATE PROPOSALS (Cont'd)**

The DRP has capital management benefits to MAHB as the reinvestment of Dividends by Shareholders in New Shares will enlarge MAHB's share capital base and strengthen MAHB's capital position. Under the DRP, any cash so retained within MAHB, that would otherwise be made payable by way of dividend, will be preserved to fund the Group's continuing growth and expansion plan, and /or for the Group's working capital (including payment for general corporate activities and to defray expenses incurred in the course of day-to-day business operations). The issue of New Shares under the DRP is also expected to improve the liquidity of MAHB Shares currently listed on the Main Market of Bursa Securities.

In relation to Dividends declared, the Board may, at its absolute discretion, determine whether to offer Shareholders an option to reinvest such Dividend in New Shares ("Reinvestment Option") and where applicable, the size of the portion of such Dividend to which the Reinvestment Option applies ("Electable Portion").

Shareholders will have the following options in respect of a Reinvestment Option:

(i) elect to participate and thereby reinvest the entire Electable Portion (or a part thereof) at the Issue Price (as defined below) for New Shares and to receive wholly in cash:

- the portion of the Dividend to which the Reinvestment Option does not apply, as determined by the Board ("Non-Electable Portion"); and
- the remaining portion of the Electable Portion not reinvested (if any) ("Remaining Portion"); or

(ii) elect not to participate in the Reinvestment Option and thereby receive the entire Dividend wholly in cash.

The issue price of such New Shares shall be the higher of the following ("Issue Price"):

(i) the adjusted volume-weighted average market price ("VWAP") of MAHB Shares for the five market days immediately before the price fixing date (i.e. a date on which the Issue Price will be determined) after applying a discount of not more than 10%. The VWAP shall be adjusted for Dividends before applying the aforementioned discount in fixing the Issue Price; or

(ii) the par value of MAHB Shares at the material time.

## 25. STATUS OF CORPORATE PROPOSAL (Cont'd)

Final Dividend for the financial year ended 31 December 2014

On 13 February 2015, the Board of Directors had determined that the DRP shall apply to the entire Final Dividend for the financial year ended 31 December 2014.

On 5 May 2015, the shareholders had approved a single-tier final dividend of 3.60 sen per ordinary share in respect of the financial year ended 31 December 2014 and authorised MAHB to allot and issue new ordinary shares of RM1.00 each in MAHB pursuant to the DRP.

On 5 May 2015, the Board of Directors had approved that the issue price for the new shares is RM6.00 per share to be issued pursuant to the implementation of the DRP in respect of the Final Dividend.

The DRP had received all the necessary approvals from Bursa securities and from its shareholdes on 21 April 2015 and 5 May 2015 respectively. On 19 June 2015, an amount of RM44.1 million was reinvested in the DRP and as disclosed in Note 9, the paid up share capital of the Company was increased to RM1,659.2 million by the issuance of 7,342,222 shares of RM1.00 each under DRP.

b) Perpetual Subordinated Sukuk Programme

On 15 December 2014, the Company has completed the issuance of RM1.0 billion Perpetual Subordinated Sukuk pursuant to the Perpetual Subordinated Sukuk Programme. The Perpetual Subordinated Sukuk is a perpetual non-call ten (10) - year with no fixed tenure and carries a fixed initial periodic distribution rate of 5.75% (per annum, payable semi-annually) up to the 10$^{th}$ year anniversary of the issue date, after which and for every 10 years onward the periodic distribution rate will be reset. The periodic distribution rate will be reset to the prevailing 10 – year MGS benchmark rate plus 1.867% (Initial Spread) plus 1.00% step up rate. The Perpetual Subordinated Sukuk is structured as a perpetual securities and accounted as equity.

The Perpetual Subordinated Sukuk is issued based on the Shariah principle of Musharakah. The proceed from the Perpetual Subordinated Sukuk shall be utilised for the working capital requirements, general investments and/or refinance any borrowings/financing of MAHB and/or its subsidiaries, which are Shariah-compliant.

The status of utilisation of proceeds raised from the above as at 29 July 2015 (being a date not earlier than 7 days from the date of issue of the quarterly report) are as follows:

**Perpetual Sukuk Programme**

| **Purpose** | **Proposed Utilisation (RM'000)** | **Actual Utilisation (RM'000)** |
|---|---|---|
| To part finance the working capital requirements, general investments and/or refinance any borrowings/financing of MAHB and/or its subsidiaries, which are Shariah – compliant. | 1,000,000 | 1,000,000 |

## 25. STATUS OF CORPORATE PROPOSAL (Cont'd)

c) Disposal of MAHB's stake in DIAL

On 24 March 2015, MAHB had, via its wholly owned subsidiary, Malaysia Airports (Mauritius) Private Limited ("MAMPL") entered into a conditional share sale agreement ("SSA") with GMR Airports Limited (formerly known as GVL Investments Private Limited and GMR Airports Holdings Limited)("GMR Airports") for the disposal by MAMPL of its entire 10% equity interest in DIAL.

On 25 May 2015, the Company has completed the disposal at a revised Sale Consideration from USD79.0 million to USD80.0 million as stated in Note 9 and 12. The sales proceeds had been utilised to redeem the Debentures at nominal value, plus premium of redemption totalling to USD74.0 million (equivalent to RM268.6 million) resulting in net gain on disposal of USD6.0 million (equivalent to RM22.1 million).

## 26. BORROWINGS AND DEBT/EQUITY SECURITIES

| | As at 30.06.2015 RM'000 unaudited | As at 31.12.2014 RM'000 audited |
|---|---|---|
| **Short term borrowings** | | |
| Unsecured: | | |
| Revolving Credit Facility | - | 250,000 |
| Term Loan | - | 25,807 |
| Secured: | | |
| Subordinated Loan | - | 368,225 |
| Senior Term Facility | 93,548 | 61,710 |
| | 93,548 | 705,742 |
| **Long term borrowings** | | |
| Unsecured: | | |
| Islamic Medium Term Notes ("IMTN") | 3,100,000 | 3,100,000 |
| Senior Sukuk | 500,000 | 500,000 |
| Secured: | | |
| Senior term facility | 1,959,030 | 2,019,277 |
| | 5,559,030 | 5,619,277 |
| | 5,652,578 | 6,325,019 |

## 27. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 30 June 2015.

## 28. CHANGES IN MATERIAL LITIGATION

There was no material suit against the Group and its subsidiaries since 31 December 2014.

## 29. DIVIDEND PAYABLE

Final dividend in respect of financial year ended 31 December 2014 had been paid as per note 10. There were no other dividends paid or declared during the current quarter and financial period-to-date under review.

## 30. EARNINGS PER SHARE ("EPS")

### Basic EPS

Basic earnings per share amounts are calculated by dividing the profit for the period 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 30.06.2015 RM'000 | Preceding Year Corresponding Quarter 30.06.2014 RM'000 | Current Year to Date 30.06.2015 RM'000 | Preceding Year Corresponding Period 30.06.2014 RM'000 |
| (Loss)/profit from continuing operations attributable to owners of the parent | (20,111) | (44,674) | 11,887 | 84,036 |
| Distribution to Perpetual Sukuk Holder | (28,514) | - | (28,514) | - |
| Net Profit from continuing operations attributable to owners of the parent | (48,625) | (44,674) | (16,627) | 84,036 |
| Loss from a discontinued operation attributable to equity holders of the Company | - | - | - | - |
| (Loss)/Profit attributable to equity holders of the Company | (48,625) | (44,674) | (16,627) | 84,036 |
| Weighted average number of ordinary shares in issue ('000) | 1,521,182 | 1,317,483 | 1,521,182 | 1,317,483 |
| Basic earning per share for (sen): | | | | |
| (Loss)/Profit from continuing operations | (3.20) | (3.39) | (1.09) | 6.38 |
| Loss from discontinued operation | - | - | - | - |
| Basic earnings per share (sen) | (3.20) | (3.39) | (1.09) | 6.38 |

## 30. EARNINGS PER SHARE ("EPS")

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-weighing 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.

## 31. SUPPLEMENTAL EXPLANATORY NOTE ON DISCLOSURE OF REALISED AND UNREALISED PROFITS

| | As at 30.06.2015 RM'000 | As at 31.12.2014 RM'000 |
|---|---|---|
| Total retained earnings of the Company and its subsidiaries | | |
| - Realised | 3,993,983 | 4,236,363 |
| - Unrealised | 265,778 | 232,036 |
| | 4,259,761 | 4,468,399 |
| Total share of retained earnings/(accumulated losses) from associate companies: | | |
| - Realised | 69,173 | 72,283 |
| - Unrealised | (3,377) | (3,000) |
| | 65,796 | 69,283 |
| Total share of retained earnings from jointly controlled entities: | | |
| - Realised | 14,304 | (336,605) |
| - Unrealised | (5,608) | 73,143 |
| | 8,696 | (263,462) |
| Less: Consolidation Adjustments | (1,733,228) | (1,597,453) |
| Total retained earnings as per financial statements | 2,601,025 | 2,676,767 |

## 32. 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
30 July 2015