

**CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
Note	30.09.2018 RM'000	30.09.2017 RM'000 Restated	30.09.2018 RM'000	30.09.2017 RM'000 Restated
Revenue	1,229,545	1,211,862	3,600,031	3,405,188
Cost of inventories sold	(99,783)	(108,832)	(311,555)	(328,965)
Other income	75,087	48,576	473,604	156,995
Employee benefits expense	(207,469)	(214,850)	(572,016)	(591,662)
Construction costs	-	-	(68,146)	-
Depreciation and amortisation	(225,063)	(245,427)	(654,104)	(688,060)
Other expenses	(407,571)	(419,453)	(1,157,129)	(1,163,834)
Operating profits	364,746	271,876	1,310,685	789,662
Finance costs	(213,700)	(184,033)	(574,563)	(523,613)
Share of results:				
- associates	(131)	881	5,603	4,075
- joint ventures	3,877	3,627	11,394	11,309
Profit before tax and zakat from continuing operations	7 154,792	92,351	753,119	281,433
Taxation and zakat	22 13,700	(11,420)	(53,912)	(73,348)
Profit from continuing operations, net of tax and zakat	168,492	80,931	699,207	208,085
Attributable to:				
Owners of the Company	168,492	80,931	699,207	207,473
Non-controlling interests	-	-	-	612
	168,492	80,931	699,207	208,085
Profit per share attributable to owners of the Company (sen):	31 9.28	4.00	39.55	9.95

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

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FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000 Restated	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000 Restated
Profit for the period, net of tax and zakat	168,492	80,931	699,207	208,085
Other comprehensive income:				
- Foreign currency translation	53,444	73,452	(155)	122,726
- Unrealised gain/(loss) on derivative financial instruments	12,408	(2,953)	6,484	558
Other comprehensive income for the period, net of tax and zakat	65,852	70,499	6,329	123,284
Total comprehensive income for the period	234,344	151,430	705,536	331,369
Attributable to:				
Owners of the Company	234,344	151,430	705,536	330,757
Non-controlling interests	-	-	-	612
	234,344	151,430	705,536	331,369

The condensed unaudited consolidated of other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	30.09.2018 RM'000 Unaudited	31.12.2017 RM'000 Restated	01.01.2017 RM'000 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	403,866	417,083	448,355
Land use rights	6,953	7,034	7,141
Intangible assets	17,008,972	17,409,638	17,230,972
Investment in associates	50,567	44,962	36,161
Investment in joint ventures	162,242	92,031	82,720
Financial assets of fair value through profit or loss	373,250	149,698	234,475
Trade receivables	87	48,536	205
Other receivables	30,806	389,732	410,906
Employee loans	27,040	27,711	31,710
Deferred tax assets	190,706	245,587	226,244
	<u>18,254,489</u>	<u>18,832,012</u>	<u>18,708,889</u>
Current assets			
Inventories	136,024	140,591	135,235
Biological assets	2,854	2,532	3,583
Trade receivables	712,713	595,112	707,742
Other receivables	555,868	163,416	120,656
Tax recoverable	87,016	10,181	10,958
Cash and bank balances	2,347,255	2,460,980	1,571,876
	<u>3,841,730</u>	<u>3,372,812</u>	<u>2,550,050</u>
Assets of disposal group classified as held for disposal	-	-	151
TOTAL ASSETS	<u>22,096,219</u>	<u>22,204,824</u>	<u>21,259,090</u>

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	30.09.2018 RM'000 Unaudited	31.12.2017 RM'000 Restated	01.01.2017 RM'000 Restated
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	5,114,341	5,114,341	5,114,341
Perpetual sukuk	997,842	997,842	997,842
Retained earnings	3,023,813	2,583,308	2,580,976
Hedging reserve	(22,107)	(28,591)	(37,417)
Other reserve	6,858	6,891	6,801
Foreign exchange reserve	41,800	41,955	-
	<u>9,162,547</u>	<u>8,715,746</u>	<u>8,662,543</u>
Non-controlling interests	-	-	2,031
Total equity	<u>9,162,547</u>	<u>8,715,746</u>	<u>8,664,574</u>
Non-current liabilities			
Borrowings	5,060,747	5,126,028	5,386,142
Derivative financial instruments	41,593	37,462	43,393
Deferred income	239,566	156,678	56,574
Deferred tax liabilities	939,514	919,049	938,684
Trade payables	4,415,324	4,605,296	3,962,106
Other payables	398,873	410,914	441,853
	<u>11,095,617</u>	<u>11,255,427</u>	<u>10,828,752</u>
Current liabilities			
Borrowings	195,504	423,258	193,638
Derivative financial instruments	7,608	8,644	3,389
Trade payables	820,529	867,490	781,790
Other payables	801,303	884,873	756,781
Income tax payable	13,111	49,386	30,147
	<u>1,838,055</u>	<u>2,233,651</u>	<u>1,765,745</u>
Liabilities of disposal group classified as held for disposal	-	-	19
Total liabilities	<u>12,933,672</u>	<u>13,489,078</u>	<u>12,594,516</u>
TOTAL EQUITY AND LIABILITIES	<u>22,096,219</u>	<u>22,204,824</u>	<u>21,259,090</u>

The condensed unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Attributable to equity holders of the Company										
	Non-distributable							Distributable		Non-Controlling Interests	Total equity
	Share Capital	Perpetual Sukuk	Share Premium	Fair Value Adjustment Reserve	Foreign Exchange Reserve	Hedging Reserve	Other Reserve	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
				Restated	Restated			Restated	Restated		Restated
At 1 January 2017 (as previously reported)	1,659,192	997,842	3,455,149	8,268	283,835	(37,417)	6,801	2,321,187	8,694,857	2,031	8,696,888
Effect of adoption of MFRS	-	-	-	(8,268)	(283,835)	-	-	259,789	(32,314)	-	(32,314)
At 1 January 2017 (as restated)	1,659,192	997,842	3,455,149	-	-	(37,417)	6,801	2,580,976	8,662,543	2,031	8,664,574
Total comprehensive income for the period	-	-	-	-	122,726	558	-	207,473	330,757	612	331,369
Legal reserve	-	-	-	-	-	-	233	-	233	-	233
Distribution to perpetual sukuk holder	-	-	-	-	-	-	-	(43,007)	(43,007)	-	(43,007)
Transactions with owners											
Dividends	-	-	-	-	-	-	-	(182,511)	(182,511)	-	(182,511)
Effect arising from acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	2,612	2,612	(2,612)	-
Total transactions with owners	-	-	-	-	-	-	-	(179,899)	(179,899)	(2,612)	(182,511)
Transfer pursuant to Companies Act, 2016	3,455,149	-	(3,455,149)	-	-	-	-	-	-	-	-
At 30 September 2017 (as restated)	5,114,341	997,842	-	-	122,726	(36,859)	7,034	2,565,543	8,770,627	31	8,770,658
At 1 January 2018 (as previously reported)	5,114,341	997,842	-	272,636	325,790	(28,591)	6,891	2,320,248	9,009,157	-	9,009,157
Effect of adoption of MFRS	-	-	-	(272,636)	(283,835)	-	-	263,060	(293,411)	-	(293,411)
At 1 January 2018 (as restated)	5,114,341	997,842	-	-	41,955	(28,591)	6,891	2,583,308	8,715,746	-	8,715,746
Total comprehensive income for the period	-	-	-	-	(155)	6,484	-	699,207	705,536	-	705,536
Legal reserve	-	-	-	-	-	-	(33)	-	(33)	-	(33)
Distribution to perpetual sukuk holder	-	-	-	-	-	-	-	(43,007)	(43,007)	-	(43,007)
Transaction with owners											
Dividends	-	-	-	-	-	-	-	(215,695)	(215,695)	-	(215,695)
Total transaction with owners	-	-	-	-	-	-	-	(215,695)	(215,695)	-	(215,695)
At 30 September 2018	5,114,341	997,842	-	-	41,800	(22,107)	6,858	3,023,813	9,162,547	-	9,162,547

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	30.09.2018	30.09.2017
	RM'000	RM'000
	Unaudited	Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax and zakat from:		
Continuing operations	753,119	281,433
Adjustments for:		
Interest income	(34,998)	(29,318)
Interest expense	565,507	518,599
Loss from derivative instrument	9,056	5,015
Provision for liabilities	3,511	5,769
Write-back of provision of liabilities	(7,151)	(5,261)
(Gain)/loss on fair value of biological assets	(322)	344
Amortisation of:		
- Intangible assets	604,289	642,605
- land use rights	81	81
Depreciation of property, plant and equipment	49,734	45,374
Reversal impairment of intangible assets	-	(1,391)
Net (write-back)/allowance for doubtful debts	(26,475)	44,548
Net bad debts written off	9,289	413
Net gain on disposal of:		
- property, plant and equipment	(8)	(4)
- investment in associate	(28,178)	-
Unrealised gain on fair value on financial assets of fair value through profit or loss (FVTPL)		
	(258,399)	-
Property, plant and equipment written off	237	1,114
Intangible assets written off	-	1,327
Inventories written off	3,041	4,272
Investment income	(49,029)	(18,751)
Share of results of:		
- associates	(5,603)	(4,075)
- joint ventures	(11,394)	(11,309)
Operating profit before working capital changes	1,576,307	1,480,785
Decrease/(increase) in inventories	1,561	(8,989)
Increase in receivables	(27,160)	(249,839)
(Decrease)/increase in payables	(122,551)	53,975
Decrease in concession liabilities	(23,660)	(22,397)
Decrease in provision for liabilities	(4,196)	(4,589)
Cash generated from operations	1,400,301	1,248,946
Tax and zakat paid	(85,365)	(87,827)
Net cash generated from operating activities	1,314,936	1,161,119

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	30.09.2018	30.09.2017
	RM'000	RM'000
	Unaudited	Restated
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of:		
- property, plant and equipment	(11,592)	(28,631)
- intangibles assets	(318,276)	(59,437)
- quoted unit trusts	-	(3,000)
Proceed from disposal of quoted unit trusts	50,911	49,185
Additional investment in joint venture	(62,000)	(3,000)
Investment income received	49,029	18,751
Interest received	2,248	2,157
Dividend received from joint ventures	3,182	3,462
Net cash used in investing activities	(286,498)	(20,513)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan	(297,000)	(25,000)
Swap payment	(6,558)	(4,150)
Concession payment	(459,089)	(478,218)
Interest paid	(176,497)	(180,545)
Dividends paid to shareholders of the Company	(215,695)	(182,511)
Distribution paid to Perpetual Sukuk Holder	(29,144)	(28,671)
Net cash used in financing activities	(1,183,983)	(899,095)
Net decrease in cash and cash equivalents	(155,545)	241,511
Effects of foreign currency translation	41,820	100,927
Cash and cash equivalents at beginning of period	2,460,980	1,572,027
Cash and cash equivalents at end of period	2,347,255	1,914,465
Cash and cash equivalents comprising:		
Cash and bank balances	243,232	253,783
Short term deposits	2,104,023	1,660,682
	2,347,255	1,914,465
Cash and bank balances - Discontinued operation (Note 13)	-	(151)
	2,347,255	1,914,314

The condensed unaudited consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 30 September 2018, have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by International Accounting Standards Board. For all period up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRS).

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2018. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2017 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in Note 2 below. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except as discussed below:

a) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. As part of its transition to MFRS, the Group elected to apply the optional exemption whereby the cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition. Accordingly, as of the date of transition to MFRS, the cumulative foreign currency translation differences of RM283.8 million were adjusted to retained earnings.

b) MFRS 9 Financial Instruments

In these financial statements, the Group has applied MFRS 9 Financial instruments (MFRS 9) effective for annual periods beginning on or after 1 January 2018. MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

b) MFRS 9 Financial Instruments (Cont'd)

With the exception of hedge accounting, the Group has applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

i. Changes to classification and measurement

To determine their classification and measurement category, MFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The FRS 139 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses on profit or loss on derecognition; and
- Financial assets FVTPL

The assessment on the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest (SPPI) was made based on the facts and circumstances as at the initial recognition of the assets.

Certain investments in quoted unit trust and quoted bonds that do not meet the criteria to be classified either as at FVOCI or at amortised cost will have to be reclassified to financial assets at FVTPL. Certain equity instruments held by the Group that were previously classified as available-for-sales were elected to be classified as fair value through profit or loss under MFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under FRS 139. Similar to the requirements of FRS 139, MFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

b) MFRS 9 Financial Instruments (Cont'd)

ii. Changes to impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing FRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit losses experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of MFRS 9 resulted an increase in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in retrospective adjustment to retained earnings.

The statement of profit or loss for the period ended 30 September 2017 was also restated, resulting increase in other expenses by RM0.3million.

	31.12.2017	1.1.2017
	RM'000	RM'000
Consolidated statement of financial position		
Increase in deferred tax assets	8,009	10,358
Decrease in trade receivables	(22,574)	(31,623)
Decrease in other receivables	(10,798)	(11,534)
Decrease in retained earnings	(25,363)	(32,800)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)c) MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted MFRS 15 using the full retrospective method.

The Group is in the business of providing airport related services, operating retail outlets, selling agriculture products, engaging horticulture activities, operating and maintaining hotel and providing maintenance and technical services. The Group's revenue affected by the adoption of MFRS 15 are as follows:

i. Agriculture commission

As stipulated in the sales and purchase agreement with the palm oil mill, the fresh fruits bunch (FFB) sold to the palm oil mill will entitle the Group to receive a commission of 30% on the profit before tax generated by the palm oil mill from the FFB collected from the Group. The commission give rise to variable consideration as the Group's entitlement to the consideration is dependent on the performance of the palm oil mill. As the amount of commission is highly susceptible to factors outside the Group's influence, the Group shall estimate the variable consideration to which it will be entitled to the extent that it is highly probable that a significant reversal in the amount of the commission will not occur when the uncertainty is subsequently resolved. The adoption of MFRS 15 for agriculture commission has no material impact to the Group's financial results.

ii. Horticulture and projects revenue

Under MFRS 15, the Group concluded that horticulture and projects revenue will continue to be recognised over time, using an output method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Group.

In addition, any earned consideration that is conditional should be recognised as a contract asset rather than receivable. Therefore, upon adoption of MFRS 15, the Group reclassified the remaining accrued revenue for services rendered to contract assets. The adoption of MFRS 15 for horticulture and project revenue has no material impact to the Group's financial results.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

d) MFRS 141 Agriculture

Prior to the adoption of MFRS 141, the Group capitalised plantation development expenditure and amortise at a rate of 4% per annum. Upon adoption of MFRS, biological assets related to agricultural activity will be accounted under MFRS 141 and requires the separation of biological assets from the bearer plants.

The Group measured biological assets (FFB) at its fair value less costs to sell on initial recognition and for subsequent measurement, any gain or loss arising from fair value changes will be recognised in profit or loss.

The statement of profit or loss for the period ended 30 September 2017 was also restated, resulting in a decrease in fair value gain on biological assets (FFB) by RM0.3 million.

	31.12.2017	1.1.2017
	RM'000	RM'000
Consolidated statement of financial position		
Increase in biological assets	2,532	3,583
Increase in deferred tax liabilities	608	860
Increase in retained earnings	1,924	2,723

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

e) Restatement of comparative figures

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows:

i. Reconciliation of profit or loss and comprehensive income

	30.09.2017			Reported under MFRS RM'000
	Previously reported under FRS RM'000	MFRS 9 RM'000	MFRS 141 RM'000	
Revenue	3,405,532	-	(344)	3,405,188
Cost of inventories sold	(328,965)	-	-	(328,965)
Other income	156,995	-	-	156,995
Employee benefits expense	(591,662)	-	-	(591,662)
Depreciation and amortisation	(688,060)	-	-	(688,060)
Other expenses	(1,163,471)	(363)	-	(1,163,834)
Operating profits	790,369	(363)	(344)	789,662
Finance costs	(522,800)	(813)	-	(523,613)
Share of results:				
- associates	4,075	-	-	4,075
- joint ventures	11,309	-	-	11,309
Profit before tax and zakat from continuing operations	282,953	(1,176)	(344)	281,433
Taxation and zakat	(73,713)	282	83	(73,348)
Profit from continuing operations, net of tax and zakat	209,240	(894)	(261)	208,085
Other comprehensive income:				
Available-for-sale financial assets				
- Loss on fair value changes	(813)	813	-	-
- Foreign currency translation	122,726	-	-	122,726
- Unrealised gain on derivative financial instruments	558	-	-	558
Other comprehensive income for the period, net of tax and zakat	122,471	813	-	123,284
Total comprehensive income for the period	331,711	(81)	(261)	331,369
Profit per share attributable to owner of the Company (sen)	10.02			9.95

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

ii. Reconciliation of statement of financial position

	31.12.2017						1.1.2017					
	Previously reported under FRS	MFRS 1	MFRS 9	MFRS 15	MFRS 141	Reported under MFRS	Previously reported under FRS	MFRS 1	MFRS 9	MFRS 15	MFRS 141	Reported under MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS												
Non-current Assets												
Property, plant and equipment	417,083	-	-	-	-	417,083	448,355	-	-	-	-	448,355
Land use rights	7,034	-	-	-	-	7,034	7,141	-	-	-	-	7,141
Intangible assets	17,409,638	-	-	-	-	17,409,638	17,230,972	-	-	-	-	17,230,972
Investment in associates	44,962	-	-	-	-	44,962	36,161	-	-	-	-	36,161
Investment in joint ventures	92,031	-	-	-	-	92,031	82,720	-	-	-	-	82,720
Available-for-sale investment	418,749	-	(418,749)	-	-	-	234,729	-	(234,729)	-	-	-
Financial assets of fair value through profit or loss	-	-	149,698	-	-	149,698	-	-	234,475	-	-	234,475
Trade receivables	48,536	-	-	-	-	48,536	205	-	-	-	-	205
Other receivables	389,732	-	-	-	-	389,732	410,906	-	-	-	-	410,906
Employee loans	27,711	-	-	-	-	27,711	31,710	-	-	-	-	31,710
Deferred tax assets	236,515	-	9,072	-	-	245,587	215,886	-	10,358	-	-	226,244
	19,091,991	-	(259,979)	-	-	18,832,012	18,698,785	-	10,104	-	-	18,708,889
Current Assets												
Inventories	140,591	-	-	-	-	140,591	135,235	-	-	-	-	135,235
Biological assets	-	-	-	-	2,532	2,532	-	-	-	-	3,583	3,583
Trade receivables	617,686	-	(22,574)	-	-	595,112	739,365	-	(31,623)	-	-	707,742
Other receivables	174,214	-	(10,798)	-	-	163,416	132,190	-	(11,534)	-	-	120,656
Tax recoverable	10,181	-	-	-	-	10,181	10,958	-	-	-	-	10,958
Cash and bank balances	2,460,980	-	-	-	-	2,460,980	1,571,876	-	-	-	-	1,571,876
	3,403,652	-	(33,372)	-	2,532	3,372,812	2,589,624	-	(43,157)	-	3,583	2,550,050
Assets of disposal group classified as held for disposal	-	-	-	-	-	-	151	-	-	-	-	151
TOTAL ASSETS	22,495,643	-	(293,351)	-	2,532	22,204,824	21,288,560	-	(33,053)	-	3,583	21,259,090

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

ii. Reconciliation of statement of financial position (Cont'd)

	31.12.2017						1.1.2017						
	Previously reported under FRS	MFRS 1	MFRS 9	MFRS 15	MFRS 141	Reported under MFRS	Previously reported under FRS	MFRS 1	MFRS 9	MFRS 15	MFRS 141	Reported under MFRS	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
EQUITY AND LIABILITIES													
Equity attributable to equity holders of the Company													
Share capital	5,114,341	-	-	-	-	5,114,341	5,114,341	-	-	-	-	-	5,114,341
Perpetual sukuk	997,842	-	-	-	-	997,842	997,842	-	-	-	-	-	997,842
Retained earnings	2,320,248	283,835	(22,699)	-	1,924	2,583,308	2,321,187	283,835	(26,769)	-	2,723	-	2,580,976
Fair value adjustment reserve	272,636	-	(272,636)	-	-	-	8,268	-	(8,268)	-	-	-	-
Hedging reserve	(28,591)	-	-	-	-	(28,591)	(37,417)	-	-	-	-	-	(37,417)
Other reserve	6,891	-	-	-	-	6,891	6,801	-	-	-	-	-	6,801
Foreign exchange reserve	325,790	(283,835)	-	-	-	41,955	283,835	(283,835)	-	-	-	-	-
	9,009,157	-	(295,335)	-	1,924	8,715,746	8,694,857	-	(35,037)	-	2,723	-	8,662,543
Non-controlling interests	-	-	-	-	-	-	2,031	-	-	-	-	-	2,031
Total equity	9,009,157	-	(295,335)	-	1,924	8,715,746	8,696,888	-	(35,037)	-	2,723	-	8,664,574
Non-current Liabilities													
Borrowings	5,126,028	-	-	-	-	5,126,028	5,386,142	-	-	-	-	-	5,386,142
Derivative financial instruments	37,462	-	-	-	-	37,462	43,393	-	-	-	-	-	43,393
Deferred income	156,678	-	-	-	-	156,678	56,574	-	-	-	-	-	56,574
Deferred tax liabilities	916,457	-	1,984	-	608	919,049	935,840	-	1,984	-	860	-	938,684
Trade payables	4,605,296	-	-	-	-	4,605,296	3,962,106	-	-	-	-	-	3,962,106
Other payables	410,914	-	-	-	-	410,914	441,853	-	-	-	-	-	441,853
	11,252,835	-	1,984	-	608	11,255,427	10,825,908	-	1,984	-	860	-	10,828,752
Current Liabilities													
Borrowings	423,258	-	-	-	-	423,258	193,638	-	-	-	-	-	193,638
Derivative financial instruments	8,644	-	-	-	-	8,644	3,389	-	-	-	-	-	3,389
Trade payables	867,490	-	-	-	-	867,490	781,790	-	-	-	-	-	781,790
Other payables	884,873	-	-	-	-	884,873	756,781	-	-	-	-	-	756,781
Income tax payable	49,386	-	-	-	-	49,386	30,147	-	-	-	-	-	30,147
	2,233,651	-	-	-	-	2,233,651	1,765,745	-	-	-	-	-	1,765,745
Liabilities of disposal group classified as held for disposal	-	-	-	-	-	-	19	-	-	-	-	-	19
Total liabilities	13,486,486	-	1,984	-	608	13,489,078	12,591,672	-	1,984	-	860	-	12,594,516
TOTAL EQUITY AND LIABILITIES	22,495,643	-	(293,351)	-	2,532	22,204,824	21,288,560	-	(33,053)	-	3,583	-	21,259,090

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

The adoption of the amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions that comes into effect on 1 January 2018 did not have any significant impact on the unaudited condensed consolidation financial statements upon their initial application.

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 : Leases

MFRS 119 : Employee Benefits

MFRS 128 : Long-term Interest in Associates and Joint Ventures

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 : Insurance Contracts

Effective for annual periods to be announced by MASB

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

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application, except for application of MFRS 16. The effect of MFRS 16 is currently being assessed by the Group.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

Airport services segment and duty free and non-dutiable goods segment, being the core businesses of the Group were not materially affected by any seasonality or cyclicity during the current quarter 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 is then further classified under airport operations and non-airport operations activities:-

Malaysia Operations

Airport operations:-

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

Non-airport operations:-

- a) **Project and repair maintenance**
To provide consultancy, operations and maintenance, mechanical and civil engineering services in connection with the airport industry.
- b) **Hotel**
To manage and operate a group of hotel, known as Sama-Sama Hotel, Sama-Sama Express KLIA and Sama-Sama Express klia2.
- c) **Agriculture and horticulture**
To cultivate oil palm and sell palm oil and other agricultural products and to carry out horticulture activities.
- d) **Others**
Investment holding 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 consultancy and facilities management services at Hamad International Airport (HIA).

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

6. SEGMENT INFORMATION (Cont'd.)

	Continuing Operations										Discontinued Operation	Total Operations
	Malaysia Operations						Overseas Operations		Consolidation adjustments	TOTAL		
	Airport Operations			Non Airport Operations			Airport operations	Project & repair and maintenance				
	Airport services	Duty free and non-dutiable goods	Project & repair and maintenance	Hotel	Agriculture & horticulture	Others						
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
For the period ended 30 September 2018												
Segment Revenue												
External:												
Aeronautical	1,301,836	-	-	-	-	-	457,219	-	-	1,759,055	-	1,759,055
Non-aeronautical:												
Retail	-	615,144	-	-	-	-	-	-	-	615,144	-	615,144
Others	592,372	1,291	-	-	-	-	349,861	-	-	943,524	-	943,524
Construction	-	-	-	-	-	-	68,146	-	-	68,146	-	68,146
Non airport operations	-	-	10,103	66,843	24,649	-	6,585	105,982	-	214,162	-	214,162
Inter-segment sales	214,325	701	52,057	1,579	4,849	-	53,225	-	(326,736)	-	-	-
Inter-segment dividends	-	-	-	-	-	135,000	-	-	(135,000)	-	-	-
Total revenue	2,108,533	617,136	62,160	68,422	29,498	135,000	935,036	105,982	(461,736)	3,600,031	-	3,600,031
Segment Results												
Operating profits before depreciation and amortisation	916,813	40,638	16,845	18,279	9,687	581,474	646,767	17,350	(283,064)	1,964,789	-	1,964,789
Depreciation and amortisation	(237,630)	(7,023)	(362)	(8,925)	(3,346)	(10,028)	(233,168)	(3,666)	(149,956)	(654,104)	-	(654,104)
Finance costs	(172,692)	-	48	10	(6)	(111,976)	(420,724)	-	130,777	(574,563)	-	(574,563)
Share of results of:												
- associates	5,603	-	-	-	-	-	-	-	-	5,603	-	5,603
- joint ventures	-	-	-	-	-	11,394	-	-	-	11,394	-	11,394
Profit/(loss) before tax and zakat	512,094	33,615	16,531	9,364	6,335	470,864	(7,125)	13,684	(302,243)	753,119	-	753,119
Taxation and zakat	(64,095)	(8,745)	(3,918)	(1,839)	(1,493)	(5,841)	351	(1,232)	32,900	(53,912)	-	(53,912)
Profit/(loss) for the period	447,999	24,870	12,613	7,525	4,842	465,023	(6,774)	12,452	(269,343)	699,207	-	699,207
As at 30 September 2018												
Assets and Liabilities												
Segment assets	10,831,847	195,995	147,728	120,185	98,995	12,235,465	7,193,669	107,976	(9,048,450)	21,883,410	-	21,883,410
Investment in associates	50,567	-	-	-	-	-	-	-	-	50,567	-	50,567
Investment in joint ventures	-	-	-	-	-	162,242	-	-	-	162,242	-	162,242
Total assets	10,882,414	195,995	147,728	120,185	98,995	12,397,707	7,193,669	107,976	(9,048,450)	22,096,219	-	22,096,219
Segment liabilities representing												
Total liabilities	6,381,196	101,742	44,356	19,951	18,025	5,843,137	8,323,851	88,367	(7,886,953)	12,933,672	-	12,933,672

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

6. SEGMENT INFORMATION (Cont'd.)

	Continuing Operations										Discontinued Operations	Total Operations
	Malaysia Operations						Overseas Operations		Consolidation	TOTAL		
	Airport Operations		Non Airport Operations				Airport operations	Project & repair and maintenance				
	Airport services	Duty free and non-dutiable goods	Project & repair and maintenance	Hotel	Agriculture & horticulture	Others						
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
For the period ended 30 September 2017 (as restated)												
Segment Revenue												
External:												
Aeronautical	1,246,779	-	-	-	-	-	426,016	-	-	1,672,795	-	1,672,795
Non-aeronautical:												
Retail	-	623,536	-	-	-	-	-	-	-	623,536	-	623,536
Others	544,562	1,078	-	-	-	-	343,028	-	-	888,668	-	888,668
Non airport operations	-	-	12,826	69,837	28,700	-	6,164	102,662	-	220,189	-	220,189
Inter-segment sales	202,559	779	49,870	1,333	4,458	-	55,394	-	(314,393)	-	-	-
Total revenue	1,993,900	625,393	62,696	71,170	33,158	-	830,602	102,662	(314,393)	3,405,188	-	3,405,188
Segment Results												
Operating profits before depreciation and amortisation	820,242	39,670	17,692	18,567	11,343	123,437	583,266	14,975	(151,470)	1,477,722	-	1,477,722
Depreciation and amortisation	(223,903)	(7,383)	(285)	(11,392)	(3,207)	(10,008)	(252,016)	(5,736)	(174,130)	(688,060)	-	(688,060)
Finance costs	(175,002)	14	26	15	17	(113,767)	(367,271)	-	132,355	(523,613)	-	(523,613)
Share of results of associates:												
- associates	4,075	-	-	-	-	-	-	-	-	4,075	-	4,075
- joint ventures	-	-	-	-	-	11,309	-	-	-	11,309	-	11,309
Profit/(loss) before tax and zakat	425,412	32,301	17,433	7,190	8,153	10,971	(36,021)	9,239	(193,245)	281,433	-	281,433
Taxation and Zakat	(102,494)	(8,609)	(4,284)	(1,987)	(1,897)	(385)	6,024	(832)	41,116	(73,348)	-	(73,348)
Profit/(loss) for the period	322,918	23,692	13,149	5,203	6,256	10,586	(29,997)	8,407	(152,129)	208,085	-	208,085
As at 30 September 2017 (as restated)												
Assets and Liabilities												
Segment assets	10,790,752	233,918	145,828	136,999	103,225	11,915,780	6,948,355	90,907	(8,751,527)	21,614,237	151	21,614,388
Investment in associates	43,237	-	-	-	-	-	-	-	-	43,237	-	43,237
Investment in joint ventures	-	-	-	-	-	90,565	-	-	-	90,565	-	90,565
Total assets	10,833,989	233,918	145,828	136,999	103,225	12,006,345	6,948,355	90,907	(8,751,527)	21,748,039	151	21,748,190
Segment liabilities representing												
Total liabilities	6,434,979	170,719	55,111	46,609	22,142	5,934,727	8,110,740	85,448	(7,880,116)	12,980,359	19	12,980,378

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. PROFIT BEFORE TAX AND ZAKAT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000 Restated	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000 Restated
Included in Other Income:				
Interest income:				
-Unquoted investment, quoted bond and employee loan	768	688	2,248	2,157
-Other loan and receivables	12,411	9,626	31,196	26,861
- Gain/(loss) on financial instrument at FVTPL	1,360	(339)	1,554	300
Investment income	19,534	8,794	49,029	18,751
Net realised foreign exchange gain	432	772	1,315	2,339
Unrealised gain on fair value on financial assets of FVTPL	-	-	258,399	-
Net gain on disposal of property, plant and equipment	-	-	8	4
Net gain on disposal of investment in associate	-	-	28,178	-
Recoupment of expenses	34,209	18,691	80,713	64,338
Included in Other Expenses:				
Net (write-back)/allowance of doubtful debts	(15,582)	24,340	(26,475)	44,548
Net bad debts written off	6,048	-	9,289	413
Reversal of impairment of intangible assets	-	-	-	(1,391)
Property, plant and equipment written off	5	198	237	1,114
Intangible assets written off	(2)	10	-	1,327
Inventories written off	1,082	683	3,041	4,272
User fee	102,791	98,011	307,496	286,858
Included in Finance Cost:				
Interest expense:				
- Concession payables and borrowings	58,716	61,350	176,497	180,545
- Financial liabilities	154,984	122,683	398,066	343,068

8. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

9. DEBT AND EQUITY SECURITIES

On 22 June 2018, the Group had repaid EUR10.0 million, equivalent to RM47.0 million of the Senior Term Facility which matured on 25 June 2018.

On 6 September 2018, the Company had repaid its five (5) years Senior Sukuk (Sukuk Musharakah) tranche amounting to RM250.0 million which matured on 6 September 2018.

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

10. DIVIDENDS PAID

A single-tier final dividend of 8.00 sen per ordinary share amounting to RM132.7 million in respect of the financial year ended 31 December 2017 was approved by the Shareholders at its Annual General Meeting held on 5 May 2018. The final dividend was paid on 6 June 2018.

A single-tier interim dividend of 5.00 sen per ordinary share in respect of the financial year ending 31 December 2018 amounting to RM82.9 million was paid on 28 September 2018.

Save for the above, 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

The Group does not have any revalued assets as its 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

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

Sama-Sama Hospitality Management Sdn. Bhd. (SSHM) has been dissolved pursuant to Section 490 and 491 of the Companies Act 2016 on 16 April 2018. The dissolution has no financial impact to the financial results of the Group for the current quarter and financial period-to-date under review.

14. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS**a) Guarantees**

- i) ISG has given 12 letters of guarantee to Tax Authority in Turkey for Value Added Tax (VAT) refund amounting to EUR0.8 million, equivalent to RM3.8 million (2017: EUR1.3 million, equivalent to RM6.3 million).
- ii) Malaysia Airports Consultancy Services Sdn Bhd (MACS) has provided the following guarantees for customers of MACS Middle East LLC (MACS ME):
 - a) Performance Bank Guarantee (PBG) totalling to QAR35.4 million, equivalent to RM38.9 million (2017: QAR39.7 million, equivalent to RM50.0 million).
 - b) Advance Payment Guarantee (APG) is nil as MACS ME have made full payment and the APG have been cancelled and returned to the banks.

Save for the above, there were no changes in guarantees from the previous quarter announcement.

b) Contingent Liability

- i) On 20 August 2015, Malaysia Airports (Properties) Sdn. Bhd. (MAP) received a Notice of Arbitration from Kuala Lumpur Aviation Fuelling System Sdn. Bhd. (KAF) in respect of the alleged losses and damages in the sum of RM28.3 million pertaining to among others, design changes under the Airport Facilities Agreement (AFA) dated 26 September 2007. Both parties have appointed an Arbitrator. The hearing session for the arbitration has been conducted from 2 to 6 October 2017 and the parties had filed their respective closing submissions by 8 December 2017. The oral hearing of parties' submissions was conducted on 22 January 2018.

On 25 September 2018, MAP had received the award from the Arbitral Tribunal which is in favour of KAF. The award is only in respect of liability and the quantum will be decided by the Arbitral Tribunal in a separate proceeding at a later stage.

- ii) Syarikat Pembinaan Anggerik Sdn Bhd. (SPASB) via a Writ of Summons claims from MAHB for the sum of RM44.0 million for damages and other claims and interest in respect of the alleged losses and damages pertaining to the works carried out by SPASB for the 'Proposed Development and Upgrading Works at Penang International Airport, Bayan Lepas, Pulau Pinang' and the 'Proposed Construction and Completion of Site Office, Central Utilities Building and Airside Drainage Works at Penang International Airport'.

MAHB has filed an application for stay of proceedings in light of the arbitration provisions in the contract(s) at the High Court. On 23 August 2017, the High Court had allowed MAHB's 'Stay Application' with cost to be paid by SPASB to MAHB. Subsequently, SPASB appealed on the decision of the 'Stay Application' at the Court of Appeal. On 30 March 2018, the Court of Appeal however had allowed SPASB's appeal with costs. In furtherance to the Court of Appeal's decision, MAHB has filed the 'Application for Leave to Appeal' (Application) at the Federal Court on 27 April 2018. The Application was heard on 1 August 2018 and the Federal Court had dismissed the said Application with cost.

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

b) Contingent Liability

Pursuant to this decision, the legal action initiated by SPASB will now be heard in the High Court instead of arbitration. On 21 September 2018, MAHB had filed its Statement of Defence as instructed by the Court. SPASB had filed its reply to MAHB's Statement of Defence on 10 October 2018. The Court will provide date for case management in due time.

- iii) The VAT refund position as submitted by ISG to the Tax Authority in Turkey is as follows:

Periods from	Amounts in EUR	Equivalent amount in RM
1 August 2011 to 30 June 2012	EUR3.9m	RM18.7m
The Tax Authority in Turkey accepted the above VAT refund computation by ISG		

The Tax Authority in Turkey disputed the subsequent VAT refund computation methodology by ISG and imposed revision to the VAT refund numbers. ISG then submitted revised reduction of VAT refund as follows:

Periods from	Revised amounts in EUR	Revised equivalent amount in RM	Amount recorded for financial year ended 31 December 2013
1 July 2012 to 31 May 2013	EUR3.1m	RM14.9m	EUR3.1m (equivalent RM14.9m)
<p>ISG submitted the above revised computation as imposed by the Tax Authority in Turkey with reservation that the initial VAT refund computation is valid in line with the basis adopted during earlier period which was already accepted by the Tax Authority in Turkey. ISG pursued lawsuit againsts Tax Authority in Turkey.</p> <p>In January 2014, EUR1.0 million (equivalent to RM4.8 million) was paid to the Tax Office in Turkey, leaving a payable of EUR2.1 million (equivalent to RM10.1 million) as at 31 December 2014.</p> <p>ISG won the lawsuit at 1st level court and therefore no longer has a payable of EUR2.1 million. The EUR1.0 million paid has since been offset against VAT payable to the Government of Turkey.</p>			

The Tax Authority in Turkey appealed the above court decision to the next Supreme Court. Pending that, the Tax Authority in Turkey requested ISG to apply different methodology for periods 1 July 2012 to 31 August 2014. No action was taken for periods covering 1 July 2012 to 31 May 2013 given that ISG has won the court case above. Accordingly, ISG submitted revised downward computation as follows:

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

b) Contingent Liability

Periods from	Revised amounts in EUR	Revised equivalent amount in RM	Amount recorded for financial year ended 31 December 2014
1 June 2013 to 31 August 2014	EUR0.7m	RM3.4m	EUR0.7m
Accordingly, ISG paid EUR0.7 million (equivalent to RM3.4 million) and filed court case contesting that the initial claim is valid pursuant to the court case decision for period 1 July 2012 to 31 May 2013.			

Despite the above development, on 23 December 2016, the Tax Authority in Turkey continue to pursue the matter via a tax audit for period 1 July 2012 to 31 May 2013. Further, on 13 April 2017, a tax audit was also initiated for period 1 January 2014 to 31 December 2014. The Tax Auditor in Turkey initially accepted the method applied by ISG and did not raise any criticism and wrote a clean report. However, the Report of the Tax Auditor in Turkey was evaluated by the Report Reading Committee. The Committee did not agree with the findings of the Auditor and instruct a rewritten of report which compels ISG to adopt the method as selected by the Tax Office in Turkey. This final report was received by ISG on 24 November 2017 with the following claimed by the Tax Office in Turkey the above audit period:

1. Tax Principal of TL7.1 million (equivalent EUR1.1 million, RM5.1 million)
2. Late Payment Interest of TL5.5 million (equivalent EUR0.8 million, RM4.0 million)
3. Tax Penalties of TL10.7 million (equivalent EUR1.6 million, RM7.7 million)

ISG has applied to the Tax Authority in Turkey for settlement of Tax Penalty before the announcement of Tax Amnesty Law by the Government of Turkey on 18 May 2018. The settlement was finalised in September 2018 and ISG has paid TL3.7 million (equivalent to EUR0.6 million, RM2.7 million) of which TL3.6 million (equivalent to EUR0.5 million, RM2.6 million) was recognised as VAT receivable carried forward in the statement of financial position with the balance recognised as an expense in the statement of profit and loss.

Save for the above, there were no changes in contingent liabilities from previous quarter announcement. The Group has no contingent assets.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transaction:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To Date	Corresponding Period
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
Revenue:				
<u>Associates:</u>				
Lease rental				
- KL Aviation Fuelling System Sdn. Bhd.	1,530	1,530	4,590	4,590
- MFMA Development Sdn. Bhd.	1,500	761	3,022	2,283
Concession fee				
- MFMA Development Sdn. Bhd.	142	142	426	426
Recoupment of water, electricity & sewerage				
- MFMA Development Sdn. Bhd.	975	1,587	4,256	4,636
<u>Joint ventures:</u>				
Lease rental				
- Segi Astana Sdn. Bhd.	318	318	955	955
- Airport Cooling Energy Supply Sdn. Bhd.	222	222	666	666
- Cainiao KLIA Aeropolis Sdn. Bhd.	954	-	954	-
Expenses:				
<u>Joint ventures:</u>				
Airport Cooling Energy Supply Sdn. Bhd.				
- Utilities (Fixed)	8,031	8,031	24,093	24,093
- Utilities (Variable usage)	3,689	3,843	10,867	10,700
- Less: Rebate	(1,165)	(440)	(3,486)	(4,349)
- Interest on concession payable	5,340	5,340	16,020	16,020
Segi Astana Sdn. Bhd.				
- Rental of shops and warehouse	-	115	-	447
- Recoupment of water and electricity	-	14	-	46
- Car park	-	10	-	10
Other Transactions:				
<u>Joint ventures:</u>				
Airport Cooling Energy Supply Sdn. Bhd.				
- Payment on concession payable	2,675	2,675	8,025	8,025
<u>Other Related Party:</u>				
Korn Ferry International (M) Sdn. Bhd.				
- Professional fees	-	211	268	365

Related Party Balances:

	As at	As at
	30.09.2018	31.12.2017
	RM'000	RM'000
	Unaudited	Audited
Amount owing by associated companies	1,039	1,857
Amount owing to joint ventures	178	14,013
Amount owing to other related party	-	450

16. COMMITMENTS

The amount of commitments for the lease rental, purchase of intangible asset, property, plant and equipment and other investment not provided for in the interim condensed consolidated financial statements as at 30 September 2018 were as follows:

	Not later than 1 year RM'000	Later than 1 year but not later than 5 years RM'000	Total RM'000
(i) Approved and contracted for:			
Capital expenditure	225,562	-	225,562
(ii) Approved but not contracted for:			
Capital expenditure	680,638	-	680,638
(iii) Other investments:			
Investment in ISG	34,560	183,024	217,584
Investment in MFMA Development Sdn. Bhd.	46,057	-	46,057
	<u>986,817</u>	<u>183,024</u>	<u>1,169,841</u>

17. SUBSEQUENT EVENTS

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

18. PERFORMANCE REVIEW

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	Current Year	Preceding Year	Changes		Current Year	Preceding Year	Changes	
	Quarter	Corresponding			To Date	Corresponding		
30.09.2018	30.09.2017	RM'000	RM'000	RM'000	RM'000	RM'000	%	
Revenue	1,229,545	1,211,862	17,683	1.5%	3,600,031	3,405,188	194,843	5.7%
Profit before tax and zakat	154,792	92,351	62,441	67.6%	753,119	281,433	471,686	167.6%

Quarter-on-Quarter

Revenue

The Group's revenue for the current quarter under review grew 1.5% over the corresponding quarter last year to RM1,229.5 million.

Airport operations recorded revenue growth of 1.7% to RM1,155.4 million. Aeronautical segment has increased by 4.5% to RM632.4 million over the corresponding quarter last year. Malaysia operations recorded passenger growth of 2.0% (international: +3.1%, domestic: +0.8%) to 25.0 million passengers as compared to the corresponding quarter last year of 24.5 million passengers.

The passenger traffic for the Turkey operations increased by 7.8% (international: +6.3%, domestic +8.6%) to 9.7 million passengers as compared to the corresponding quarter last year of 9.0 million passengers.

However, non-aeronautical segment has declined slightly by 1.6% to RM523.0 million due to lower non-aeronautical revenue from Turkey operations.

Non-airport operations has declined by 2.1% or RM1.6 million due to lower revenue from hotel and agriculture business.

Overall, Malaysia and Qatar operations has recorded an increase in revenue by 2.6% to RM883.5 million and 3.4% to RM36.8 million respectively. However, Turkey operations recorded a slight decline in revenue by 2.0% to RM309.2 million.

18. PERFORMANCE REVIEW (Cont'd.)**Quarter-on-Quarter (Cont'd.)****Profit before tax and zakat (PBT)**

The Group recorded a PBT of RM154.8 million as compared to RM92.4 million in the previous corresponding quarter, a favourable variance of 67.6% or RM62.4 million. The favourable variance was contributed by higher Group revenue and other income, and lower overall cost recorded in the current quarter.

Cost has reduced by 1.6% or RM19.0 million as compared to the previous corresponding quarter. Reduction in cost was mainly due to net writeback of provision of doubtful debts and lower amortisation and depreciation cost.

PBT of the Malaysian operations increased by 41.6% to RM189.7 million. Turkey registered a loss before tax (LBT) of RM38.2 million, lower by 19.1% from loss recorded in the previous corresponding quarter while Qatar operations recorded lower PBT by 41.2% to RM3.3 million.

Share of results of Associates and Joint Ventures (JV)

Share of associate's losses in the current quarter under review amounted to RM0.1 million as compared to profits of RM0.9 million for the corresponding quarter last year, mainly due to lower contribution from Kuala Lumpur Aviation Fuelling System Sdn Bhd (KAF).

Share of JV's profits in the current quarter under review was higher by RM0.3 million mainly due to higher contribution from Segi Astana Sdn Bhd (SASB).

Year-on-Year**Revenue**

Sustained growth in passenger and aircraft movements continued to impact positively to the Group's earnings. The Group recorded revenue of RM3,600.0 million, 5.7% higher than revenue of RM3,405.2 million for the corresponding period last year. The positive results were underpinned by the growth in airport operations.

Total recorded revenue growth by both aeronautical and non-aeronautical segment was 6.3% from RM3,185.0 million to RM3,385.9 million.

Aeronautical revenue segment grew by 5.2% to RM1,759.1 million over the corresponding period last year underpinned by strong passenger growth. Malaysia operations recorded passenger growth of 2.5% (international: +5.8%, domestic: -0.8%) to 73.7 million passengers as compared to the corresponding period last year of 71.9 million passengers.

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

The passenger traffic for Turkey operations increased by 10.7% to 25.9 million passengers as compared to the corresponding period last year. Both international and domestic traffic increased by 11.5% and 10.3% respectively.

The non-aeronautical segment also recorded strong revenue growth of 3.1% to RM1,558.7 million, driven by stronger sales registered by the concessionaires and retailers.

However, non-airport operations revenue has declined slightly by 2.8% over the corresponding period last year to RM214.1 million, mainly contributed by agriculture and hotel business.

Overall, Malaysia operations recorded revenue of RM2,612.2 million with growth of 3.4%, whilst Turkey and Qatar operations recorded revenue growth of 13.8% to RM881.8 million and 3.2% to RM106.0 million respectively.

Profit before tax and zakat (PBT)

The PBT of the Group has increased to RM753.1 million as compared to the PBT of RM281.4 million recorded in the corresponding period last year. The higher Group PBT was in part due to unrealised gain on the fair value of investment in GMR Hyderabad International Airport Limited (GHIAL) amounting to RM258.4 million and higher revenue of RM194.8 million.

Cost has increased slightly by 1.3% to RM3,337.5 million as compared to the corresponding period last year mainly due to construction cost in relation to the construction of the boarding hall expansion of ISGIA amounting to RM68.1 million.

The PBT for Malaysia operations was higher by 83.0% to RM911.6 million, Qatar operations PBT higher by RM4.5 million to RM13.7 million whilst Turkey operations recorded LBT of RM172.2 million, decrease by RM53.6 million as compared to the corresponding period last year.

Share of results of Associates and Joint Ventures (JV)

Share of associate's profits in the financial period-to-date amounted to RM5.6 million as compared to RM4.1 million for the corresponding period last year. The favourable variance was due to higher contribution from KAF by RM3.8 million negated by lower contribution from MFMA by RM2.3 million.

Share of JV's profits in the financial period-to-date amounted to RM11.4 million as compared to RM11.3 million for the corresponding period last year. The favourable variance was mainly due to higher contributions from SASB by RM0.2 million.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA
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18. PERFORMANCE REVIEW (Cont'd.)

a) ECONOMIC PROFIT (EP) STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000 Restated	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000 Restated
Net Operating Profit Less Adjusted Tax (NOPLAT) computation				
Earnings before interest and tax (EBIT*)	350,207	261,901	1,275,687	760,344
Adjusted Tax	(84,050)	(65,464)	(306,165)	(190,086)
NOPLAT	266,157	196,437	969,522	570,258
Economic charge computation				
Average invested capital	17,182,553	15,571,540	17,182,553	15,571,540
Weighted average cost of capital per annum	9.30%	8.43%	9.30%	8.43%
Economic Charge	399,494	328,170	1,198,483	984,511
Economic loss	(133,337)	(131,733)	(228,961)	(414,253)

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

The favourable variance in EBIT for financial period-to-date was in part due to unrealised gain on the fair value of investment in GHIAL amounting to RM258.4 million and higher revenue by RM194.8 million.

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 RM133.3 million for the current quarter under review higher than RM131.8 million recorded in the corresponding quarter last year.

Similarly, the Group recorded economic loss of RM228.9 million for the financial period-to-date under review lower than the economic loss of RM414.3 million recorded in the corresponding period last year due to higher EBIT.

18. PERFORMANCE REVIEW (Cont'd.)

b) HEADLINE KEY PERFORMANCE INDICATORS (KPIs)

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

	Headline KPIs for year 2018		Actual achievements 30 September 2018	
	Malaysia Operations	Overseas Operations	Malaysia Operations	Overseas Operations
	i) EBITDA (RM'000)	1,189,235	902,706	1,006,579
ii) Airport Service Quality Survey Ranking	Above 40 mppa category: KLIA Ranking Top 10		Above 40 mppa category - ranking at no.12 out of 38	

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

	INDIVIDUAL QUARTER			
	Current Year Quarter 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Changes	
			RM'000	%
Revenue	1,229,545	1,154,690	74,855	6.5%
Profit before tax and zakat	154,792	125,610	29,182	23.2%

Revenue

The Group's revenue for the current quarter under review increased by RM74.8 million or 6.5% to RM1,229.5 million against RM1,154.7 million in the immediate preceding quarter mainly contributed by higher in revenue from both airport operations and non-airport operations business.

Airport operations recorded revenue growth of 6.2% to RM1,155.4 million from its aeronautical and non-aeronautical segments. The aeronautical segment grew by 17.5% or RM94.1 million over the immediate preceding quarter. Non-aeronautical segment recorded an increase in revenue of 3.2% or RM16.1 million to RM523.0 million mainly from Turkey operations

Non-airport operations revenue has increased by 10.3% over the immediate preceding quarter to RM74.2 million, mainly contributed by higher hotel and agriculture business.

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

Overall, Malaysia operations has recorded increase in revenue by 7.7% to RM883.5 million. Turkey and Qatar operations's revenue were higher by 3.1% to RM309.2 million and 7.0% to RM36.8 million respectively.

Profit before tax and zakat (PBT)

The Group recorded a PBT of RM154.8 million in the current quarter, higher by RM29.2 million as compared to the PBT of RM125.6 million recorded in the immediate preceding quarter.

The higher Group PBT was due to higher revenue by RM74.8 million and other income by RM18.4 million being recorded in the current quarter under review.

Cost was higher by 5.2% to RM1,153.6 million as compared to the immediate preceding quarter. The increased in cost was due to increased in employee benefits expenses and finance cost.

The PBT for Malaysia operations was higher by 5.9% to RM189.7 million, Qatar operations PBT lower by RM0.6 million to RM3.3 million whilst Turkey operations has decreased in LBT by RM19.2 million to RM38.2 million as compared to the immediate preceding quarter.

Share of results of Associates and Joint Ventures (JV)

Share of associate's losses in the current quarter amounted to RM0.1 million as compared to profits of RM6.1 million for the immediate preceding quarter. The unfavourable variance was due to lower contribution from KAF by RM6.8 million.

Share of JV's profits in the current quarter amounted to RM3.9 million as compared to RM4.6 million in the immediate preceding quarter. The unfavourable variance was due to lower contribution from SASB by RM0.5 million.

20. COMMENTARY ON PROSPECTS

MAHB's network of airports (including ISGIA) recorded 99.6 million passengers in the current period under review of 1 January 2018 to 30 September 2018, representing a growth of 4.5% over the corresponding period last year. During the same period, international passengers traffic improved by 6.8% while domestic passengers traffic increased by 2.5%. Correspondingly, aircraft movements improved by 2.3% with international aircraft movements increased by 6.8% while the domestic aircraft movements declining by 0.5%.

Malaysia Operations

Passenger traffic at MAHB operated airports registered 2.5% in growth with 73.7 million passengers in the current period under review. International passengers traffic registered a 5.8% increase to 38.6 million passengers while domestic passenger traffic declined by 0.8% to 35.1 million passengers.

The higher oil price fluctuation environment may have some impact in the short term but is unlikely to hamper traffic growth in the long run based on past trends. Nevertheless, passenger growth remains vulnerable to macroeconomic pressures due to trade restrictions between China and the United States along with lower economic growth for Malaysia.

Overseas Operations

ISGIA recorded 25.9 million passengers in the current period under review, representing an increase of 10.7% over the corresponding period last year. International passenger traffic increased by 11.5% while domestic passenger traffic increased by 10.3%.

The Management expects the financial performance for the Group for the financial year ending 31 December 2018 to be better than the previous year due to the following:

- a) Passenger traffic for Malaysia in 2018 is expected to achieve a relatively moderate growth compared to the previous year, with international passenger traffic growth outpacing domestic passenger traffic; and
- b) The growth momentum in Turkey is expected to hold based on current market conditions.

21. PROFIT FORECAST

The Group did not publish any profit forecast.

22. TAXATION AND ZAKAT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000 Restated	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000 Restated
Current tax	80,080	(38,015)	33,352	(113,730)
Deferred taxation	(66,380)	26,595	(81,656)	44,848
Zakat	-	-	(5,608)	(4,466)
	<u>13,700</u>	<u>(11,420)</u>	<u>(53,912)</u>	<u>(73,348)</u>

23. SALE OF PROPERTIES

There were no sales of properties since 31 December 2017.

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 ongoing corporate proposals announced by the Group but not completed as at 21 November 2018 being a date not earlier than 7 days from the date of issuance of the quarterly report.

a) Proposed disposal of entire interest in GMR Hyderabad International Airport Limited (GHIAL)

On 2 February 2018, MAHB, via its wholly owned subsidiary, MAHB Mauritius Private Limited (MAMPL) entered into a Share Purchase Agreement (SPA) with GMR Airports Limited (GMR Airports) for the disposal of all of the 41,580,000 equity shares of Rs.10 each which represents 11% of the total issued paid-up share capital of GHIAL to GMR Airports, for a cash consideration of USD76.05 million subject to the terms and conditions contained in the SPA. The sale consideration is agreed based on the assumption that the completion date take place by 1 December 2018.

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

b) Proposed disposal of entire interest in GMR Male International Airport Limited (GMIAL)

On 14 March 2018, MAHB had, via its wholly owned subsidiary, Malaysia Airports (Labuan) Private Limited (MALPL) entered into a Share Purchase Agreement (SPA) with GMR Holdings for the disposal of all of the 8,812,190 equity shares, which represents 23% of the total issued and paid-up share capital of GMIAL to GMR Holdings, for a cash consideration of USD7.3 million subject to the terms and conditions contained in the SPA. The sale consideration for the purchase of the shares to be satisfied on or before 31 December 2018.

26. BORROWINGS

	As at 30.09.2018		As at 31.12.2017	
	EUR'000	RM'000	EUR'000	RM'000
	Unaudited		Audited	
Short term borrowings				
Unsecured:				
Senior Sukuk	-	-	-	250,000
Secured:				
Senior Term Facility	40,730	195,504	35,797	173,258
	<u>40,730</u>	<u>195,504</u>	<u>35,797</u>	<u>423,258</u>
Long term borrowings				
Unsecured:				
Islamic Medium Term Notes (IMTN)	-	3,100,000	-	3,100,000
Secured:				
Senior Term Facility	408,489	1,960,747	418,601	2,026,028
	<u>408,489</u>	<u>5,060,747</u>	<u>418,601</u>	<u>5,126,028</u>
	<u>449,219</u>	<u>5,256,251</u>	<u>454,398</u>	<u>5,549,286</u>

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at	Cash Flows	Non-cash changes		As at
	31.12.2017		Foreign Exchange Movements	Fair Value Changes	30.09.2018
	RM'000				RM'000
	Audited				Unaudited
Unsecured:					
Islamic Medium Term Notes (IMTN)	3,100,000	-	-	-	3,100,000
Senior Sukuk	250,000	(250,000)	-	-	-
Secured:					
Senior Term Facility	2,199,286	(47,000)	(18,176)	22,141	2,156,251
Derivative financial instruments	46,106	-	381	2,714	49,201
	<u>5,595,392</u>	<u>(297,000)</u>	<u>(17,795)</u>	<u>24,855</u>	<u>5,305,452</u>

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28. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 30 September 2018.

29. CHANGES IN MATERIAL LITIGATION

There were no other material suits against the Group and its subsidiaries since 31 December 2017 other than those disclosed in note 14.

30. DIVIDEND PAYABLE

There were no other dividends paid or declared during the current quarter and financial period-to-date under review other than disclosed in note 10.

31. 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 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000 Restated	Current Year To Date 30.09.2018 RM'000	Preceding Year Corresponding Period 30.09.2017 RM'000 Restated
Profit from continuing operations attributable to owners of the Company	168,492	80,931	699,207	208,085
Distribution to Perpetual Sukuk Holder	(14,493)	(14,493)	(43,007)	(43,007)
Net profit from continuing operations attributable to owners of the Company	153,999	66,438	656,200	165,078
Weighted average number of ordinary shares in issue ('000)	1,659,192	1,659,192	1,659,192	1,659,192
Profit per share attributable to owners of the Company (sen)	9.28	4.00	39.55	9.95

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

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

Azni Ariffin
Company Secretary
Sepang
21 November 2018