

## Chairman's Statement

**10<sup>th</sup> ANNUAL  
GENERAL MEETING**

**21 April 2016**



## DISCLAIMER



These materials have been prepared by Malakoff Corporation Berhad ("Malakoff" or "MCB" or the "Company") solely for informational purposes, and are strictly confidential and may not be taken away, reproduced or redistributed and disseminated either verbally or documented to any other person. By attending this presentation, participants agree not to remove this document from the conference room where such documents are provided without express written consent from the Company. Participants agree further not to photograph, copy or otherwise reproduce these materials at any point of time during the presentation or while in your possession. By attending this presentation, you are agreeing to be bound by the foregoing restrictions. Any failure to comply with these restrictions may result in a violation of applicable laws and commencement of legal proceedings against you.

It is not the Company's intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company's financial position or prospects. The information contained in these materials has not been independently verified and is subject to verification, completion and change without notice. The information contained in these materials is current as of the date hereof and is subject to change without notice, and its accuracy is not guaranteed. The Company is not under any obligation to update or keep current the information contained in these materials subsequent to the date hereof. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company, or any of its directors and affiliates or any other person, as to, and no reliance should be placed for any purposes whatsoever on, the fairness, accuracy, completeness or correctness of, or any errors or omissions in, the information contained in these materials. Neither the Company, its directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of these materials or their contents or otherwise arising in connection therewith.

These materials contain historical information of the Company which should not be regarded as an indication of future performance or results. These materials may also contain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements reflect the Company's current views with respect to future events and are not a guarantee of future performance or results. Actual results, performance or achievements of the Company may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, and must be read together with such assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of the Company, and the forecast financial performance of the Company is not guaranteed. No reliance should be placed on these forward-looking statements, if any.

# KEY CORPORATE DEVELOPMENTS IN 2015



January to April:  
Listing exercise

- 15<sup>th</sup> May - Listing on Main Market Bursa Malaysia
- Redemption of Junior sukuk via utilization of proceeds

1<sup>st</sup> Quarter

2<sup>nd</sup> Quarter

3<sup>rd</sup> Quarter

4<sup>th</sup> Quarter



1st Quarter  
financial results  
announcement  
– 1st interim  
dividend  
declared

2nd Quarter  
financial results  
announcement

3rd Quarter  
financial results  
announcement  
– 2nd interim  
dividend  
declared

Port Dickson  
Power receives  
Letter of Award  
for short-term  
extension

Tanjung Bin  
Energy (T4)  
achieves  
synchronization  
to the Grid

## FINANCIAL PERFORMANCE

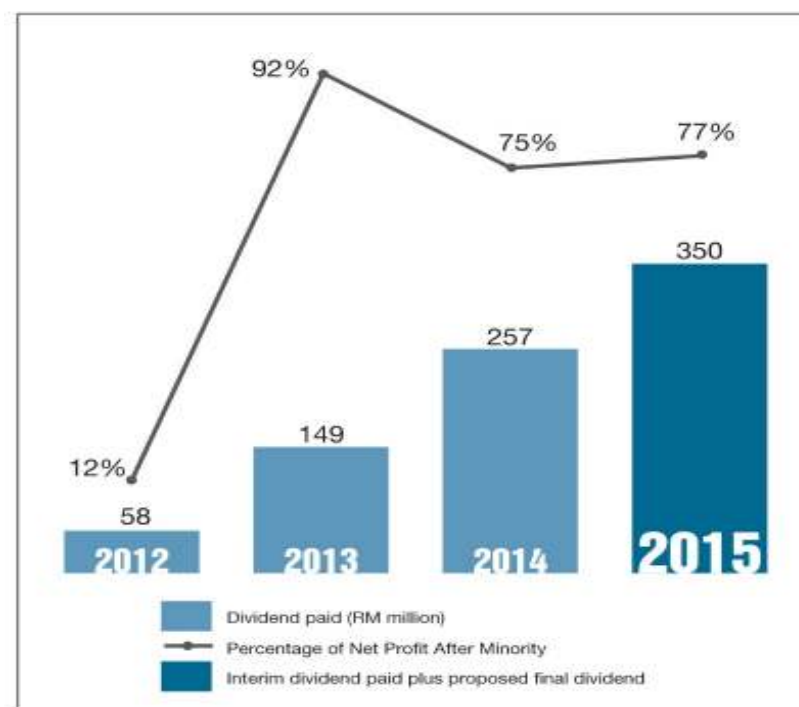
	FY2015	FY2014	Year-on-Year Change
Revenue	RM5,302 million	RM5,594 million	-5%
Net profit attributable to owners of the company (PATMI)	RM453 million	RM342 million	+32%
Basic earnings per share (EPS)	10.0 sen	9.53 sen	+5%
Total assets	RM30,373 million	RM29,336 million	+4%
Net gearing	2.3x	3.4x	n.m.
Return on Equity (ROE)	7.81%	8.62%	-1%

## DIVIDEND

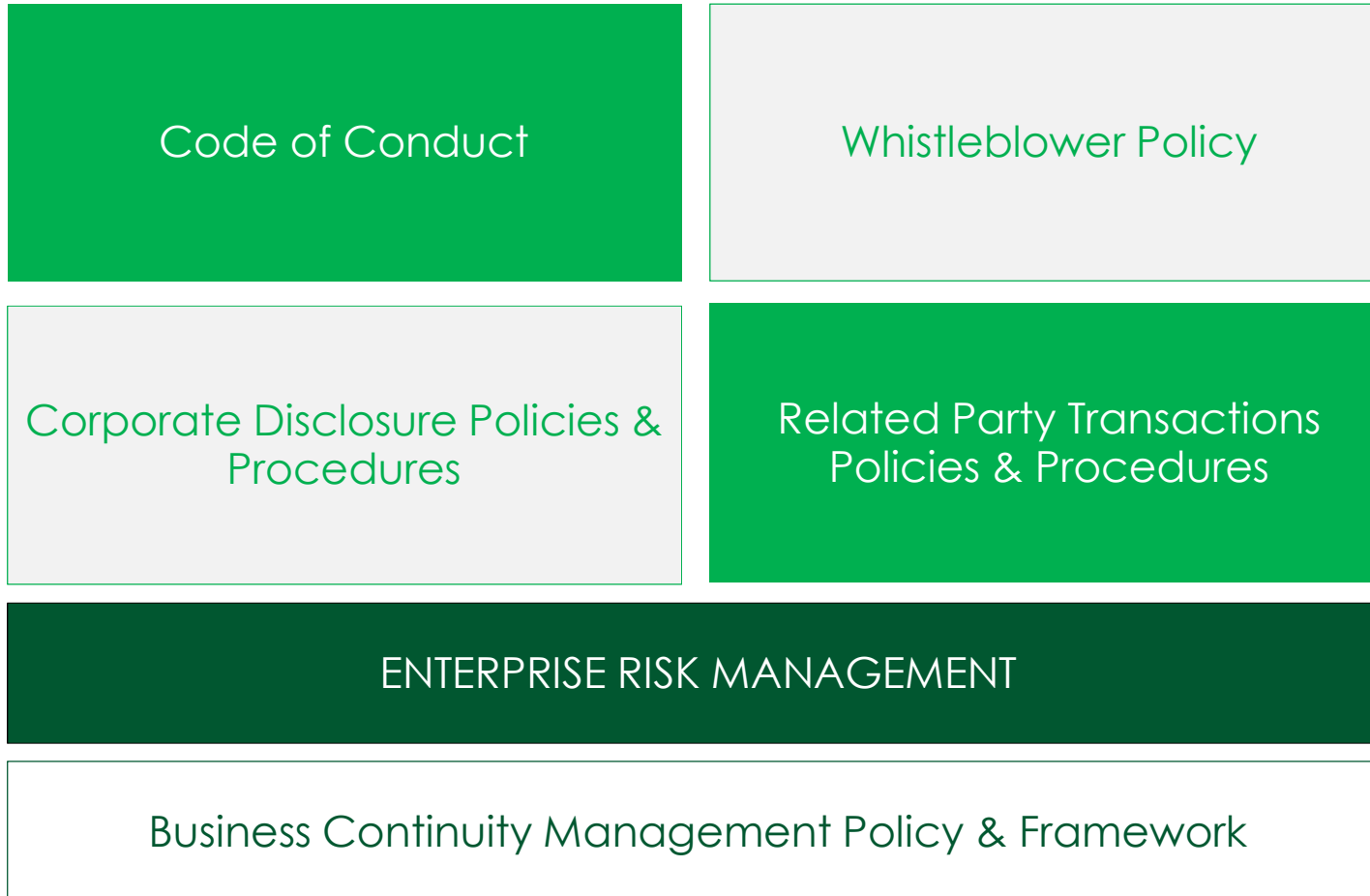
- Dividend policy effective 1 January 2015: Dividend Payout Ratio of Not Less Than 70.0% of Consolidated Profit Attributable to the Owners of the Company.
- Including the proposed final dividend of 2.0 sen, the Dividend Payout Ratio achieved in FY2015 is 77.3%.
- Factors affecting dividends:
  - Level of cash, gearing, return on equity and equity;
  - Financial performance;
  - Level of capital expenditure and other investment plans;
  - Working capital requirements; and
  - Existing and future debt obligations.

	Dividend per share	Ex-date	Payment
1 <sup>st</sup> interim	3.0 sen	10 Jun 2015	Jul 2015
2 <sup>nd</sup> interim	2.0 sen	7 Dec 2015	Dec 2015
Proposed final dividend*	2.0 sen	5 May 2016	9 May 2016
<b>2015 total dividend</b>	<b>7.0 sen</b>		

\*Resolution 2 of the 10<sup>th</sup> AGM



# TOWARDS HIGHER CORPORATE GOVERNANCE & RISK MANAGEMENT



# CORPORATE RESPONSIBILITY

## MARKETPLACE Development

- Diverse platforms of communication
- Commitment



## COMMUNITY Development

- Focus on Education
- Community enrichment



## ENVIRONMENTAL Preservation

- Sustainable initiatives
- Marine biodiversity rehabilitation



## WORKPLACE Development

- Welcoming diversity
- Strengthening employee competencies
- Complement training and development
- High performance culture
- Attracting & retaining talent
- Employee engagement



# ACKNOWLEDGEMENTS

**END OF PRESENTATION**  
***THANK YOU***

**MALAKOFF**  
A Member of  **MMC Group**



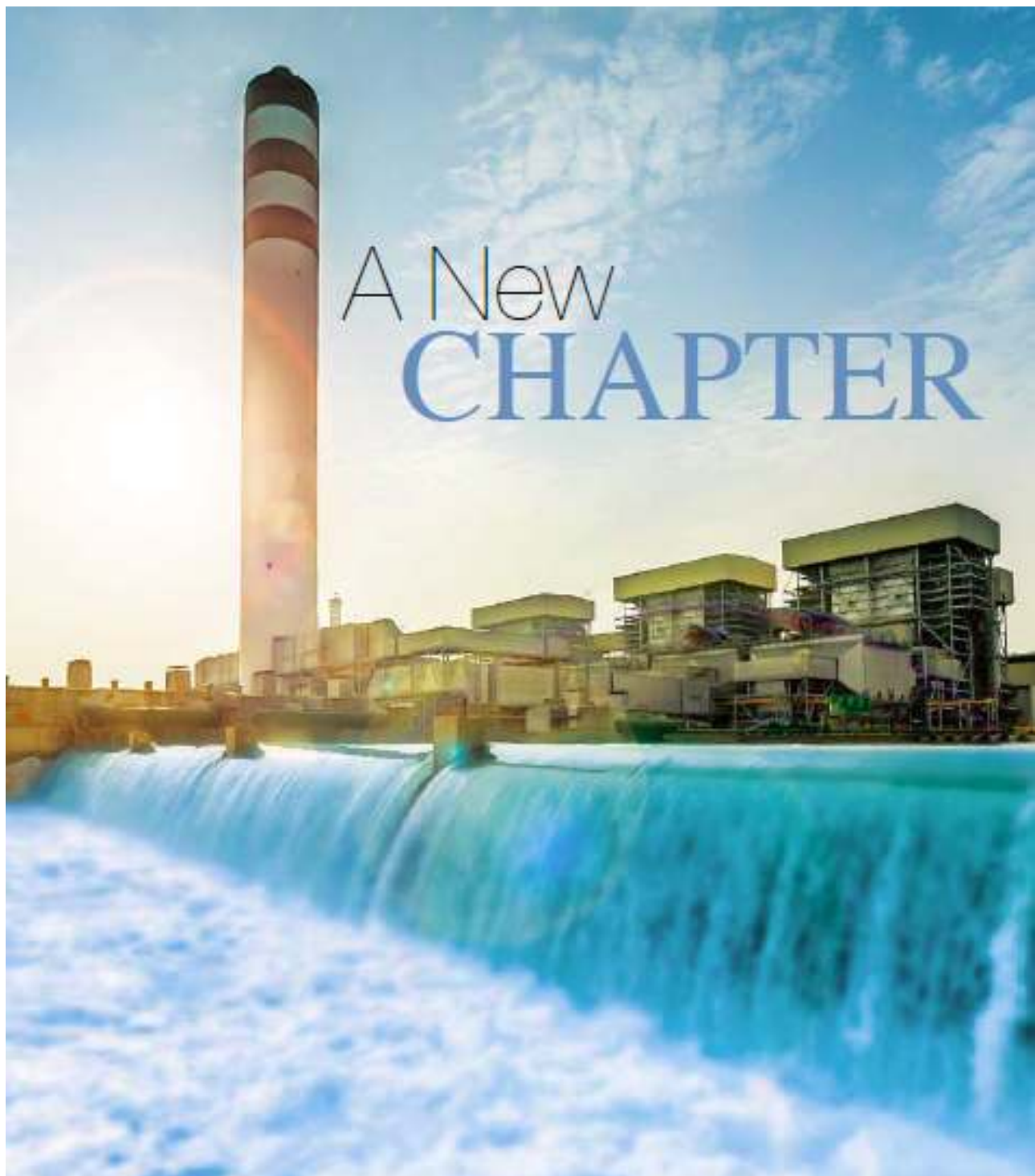
**MALAKOFF**

A Member of  **MMC Group**

## **Performance Review** *by Acting CEO*

**10<sup>th</sup> ANNUAL  
GENERAL MEETING**

**21 April 2016**



# DISCLAIMER

These materials have been prepared Malakoff Corporation Berhad ("Malakoff" or "MCB" or the "Company") solely for informational purposes, and are strictly confidential and may not be taken away, reproduced or redistributed and disseminated either verbally or documented to any other person. By attending this presentation, participants agree not to remove this document from the conference room where such documents are provided without express written consent from the Company. Participants agree further not to photograph, copy or otherwise reproduce these materials at any point of time during the presentation or while in your possession. By attending this presentation, you are agreeing to be bound by the foregoing restrictions. Any failure to comply with these restrictions may result in a violation of applicable laws and commencement of legal proceedings against you.

It is not the Company's intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company's financial position or prospects. The information contained in these materials has not been independently verified and is subject to verification, completion and change without notice. The information contained in these materials is current as of the date hereof and are subject to change without notice, and its accuracy is not guaranteed. The Company is not under any obligation to update or keep current the information contained in these materials subsequent to the date hereof. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company, or any of its directors and affiliates or any other person, as to, and no reliance should be placed for any purposes whatsoever on, the fairness, accuracy, completeness or correctness of, or any errors or omissions in, the information contained in these materials. Neither the Company, its directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of these materials or their contents or otherwise arising in connection therewith.

These materials contain historical information of the Company which should not be regarded as an indication of future performance or results. These materials may also contain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements reflect the Company's current views with respect to future events and are not a guarantee of future performance or results. Actual results, performance or achievements of the Company may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, and must be read together with such assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of the Company, and the forecast financial performance of the Company is not guaranteed. No reliance should be placed on these forward-looking statements, if any.

# OUR FOOTPRINT

## MALAYSIAN INDEPENDENT POWER GENERATION

Prai Power Plant  
**350 MW**

SEV Power Plant  
**1,221 MW**  
GB3 Power Plant  
**480 MW**

Kapar Power Plant  
**968 MW**

Port Dickson Power Plant  
**436 MW**

Tanjung Bin Power Plant  
**1,890 MW**

Tanjung Bin Energy Power Plant  
(under construction)  
**1,000 MW**

## INTERNATIONAL INDEPENDENT WATER PRODUCTION & POWER GENERATION

Souk Tietia IWP  
**71,400 m<sup>3</sup>/day**

Shuaibah Phase 3  
Expansion IWP  
**17,850 m<sup>3</sup>/day**  
Shuaibah Phase 3 IWPP  
**105,600 m<sup>3</sup>/day**  
**108 MW**

Al Ghubrah IWP  
**85,950 m<sup>3</sup>/day**

Umm IWP  
**164,000 m<sup>3</sup>/day**  
**372 MW**

Macarthur Wind Farm  
**210 MW**

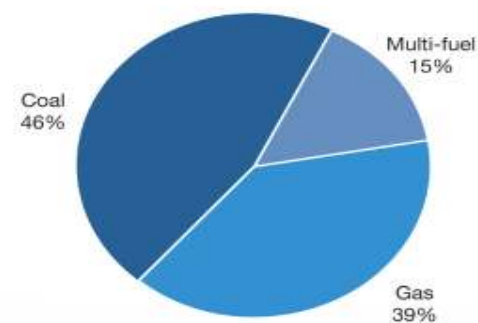
### TOTAL EFFECTIVE POWER GENERATING CAPACITY

Malaysia  
**6,346 MW**  
International  
**690 MW**

### TOTAL EFFECTIVE WATER PRODUCTION CAPACITY

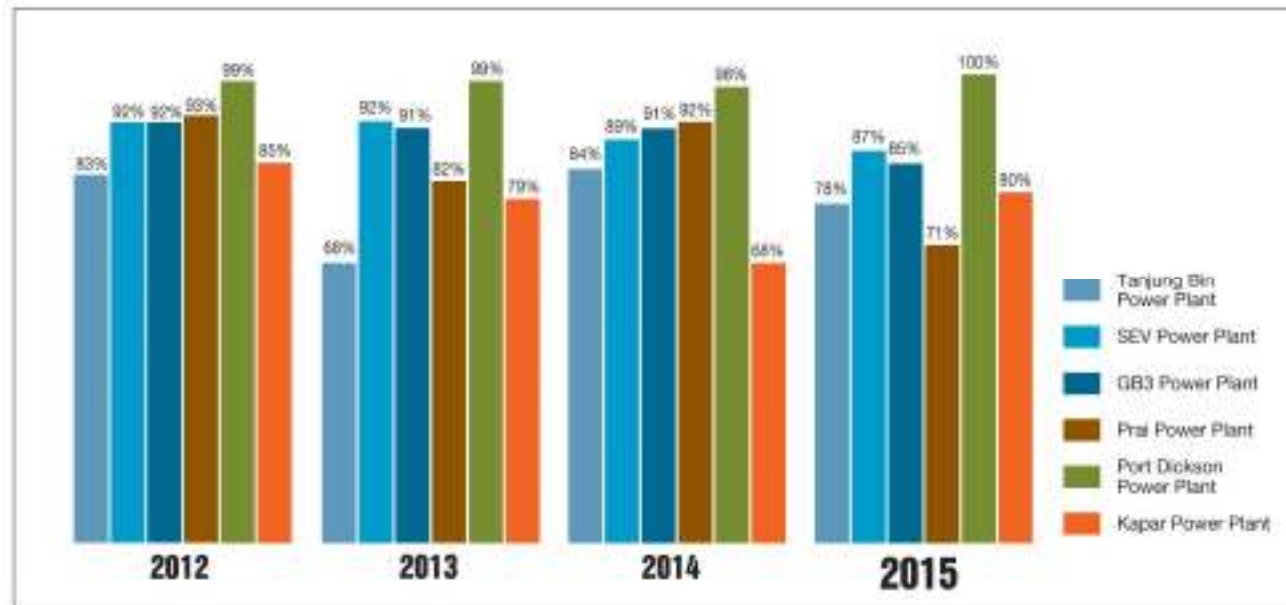
**444,800 m<sup>3</sup>/day**

## EFFECTIVE DOMESTIC POWER GENERATION

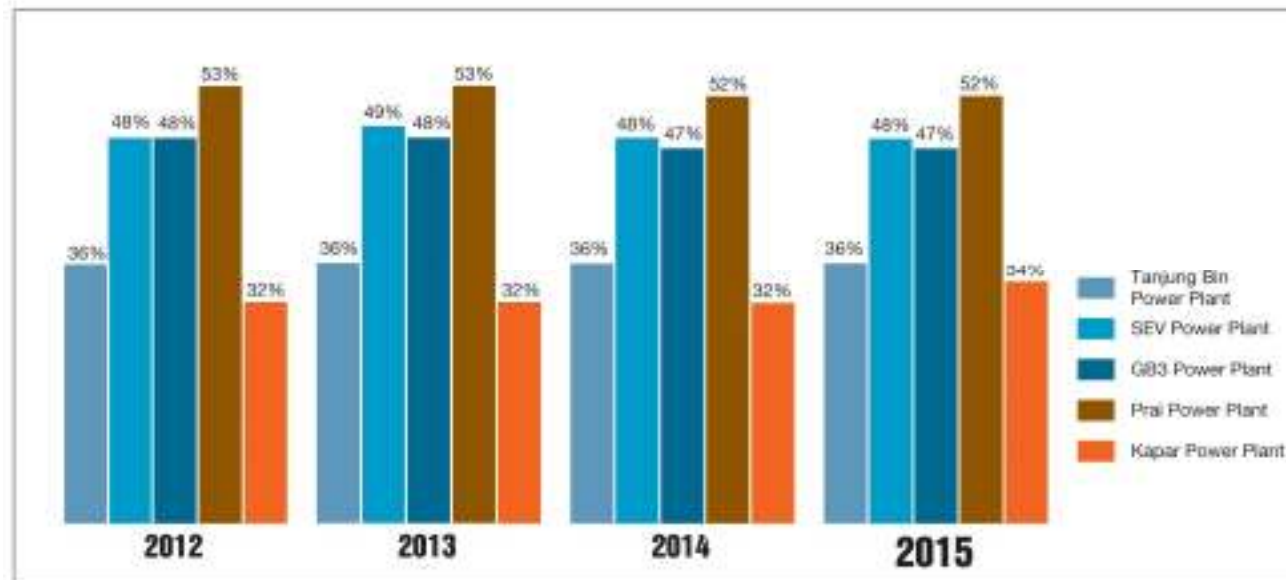


# LOCAL ASSET PERFORMANCE

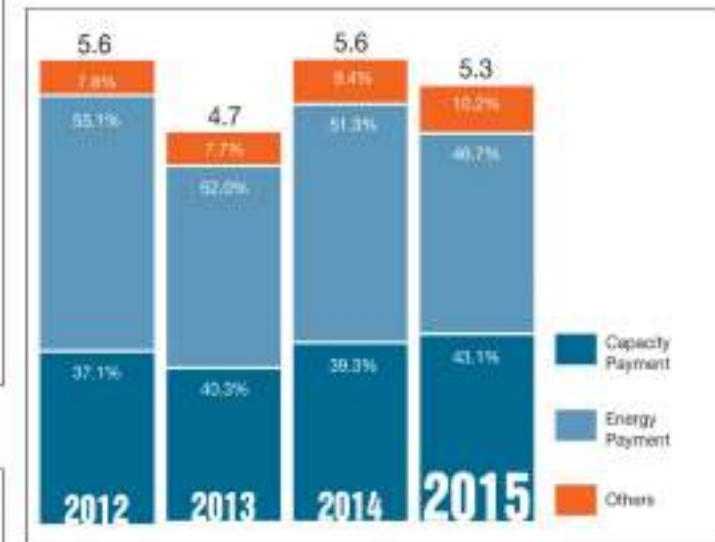
## EQUIVALENT AVAILABILITY FACTOR



## THERMAL EFFICIENCY



## REVENUE CONTRIBUTION (RM BILLION)



**Note:** Kapar Energy Ventures is an associate company therefore does not contribute to the Group's Revenue

# TANJUNG BIN ENERGY (T4): ACHIEVED COMMERCIAL DATE OF OPERATION ON 21 MARCH 2016

**MALAKOFF**  
A Member of  MMC Group



# INTERNATIONAL ASSETS

**Macarthur  
Wind Farm  
Australia**



**Shuaibah Water Desalination  
and Power Plant  
Saudi Arabia**



**Al Hidd Power Generation  
and Water Desalination  
Bahrain**



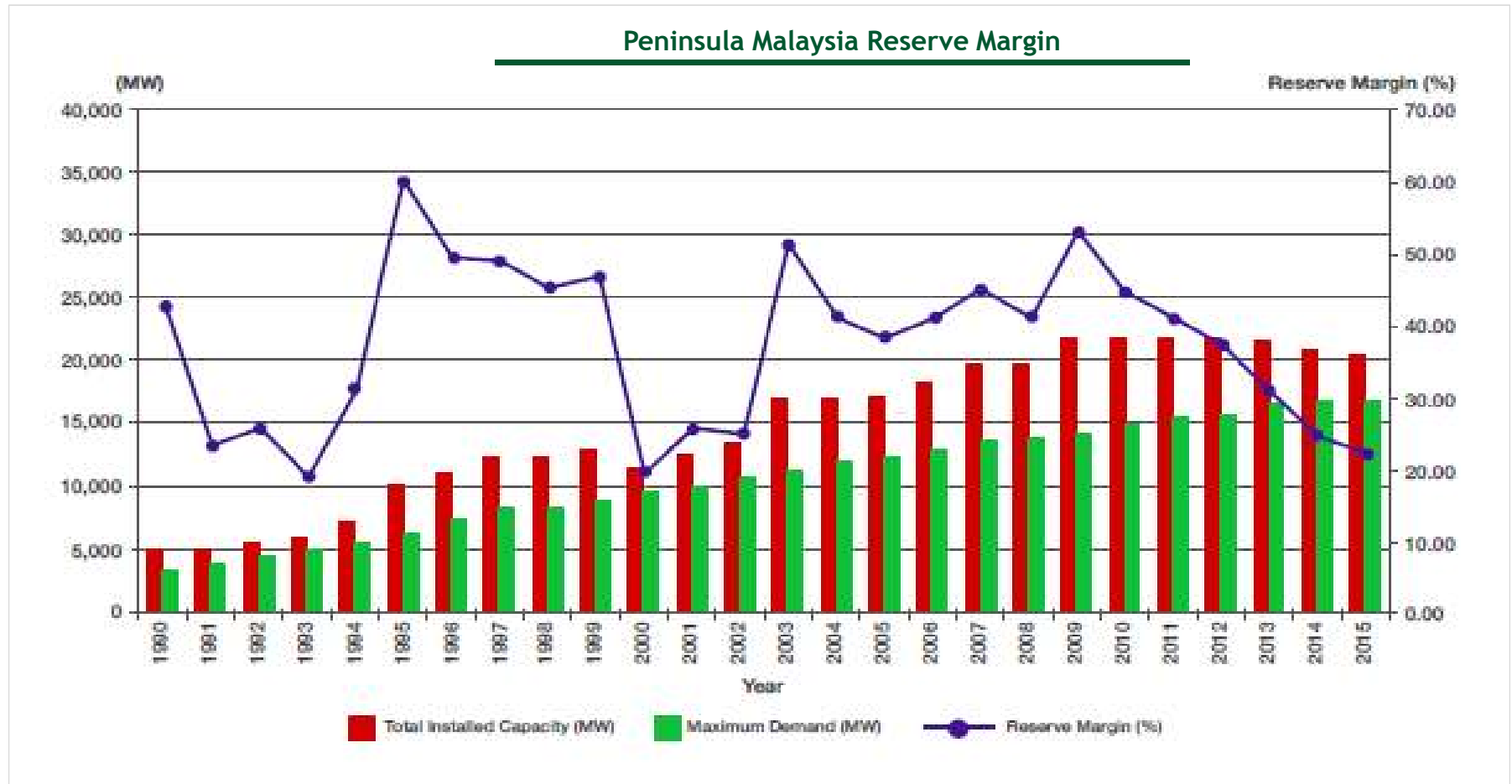
**Souk Tleta  
Independent Water Project  
Algeria**



**Al Ghubrah  
Independent Water Project  
Sultanate of Oman**



# INCREASING ELECTRICITY DEMAND IN MALAYSIA



**Source:** Energy Commission publication "Peninsular Malaysia Electricity Supply Industry Outlook 2016"

# LAND INFRASTRUCTURE IN PORT DICKSON, SEGARI AND TANJUNG BIN MAKE THESE SITES VALUABLE FOR FUTURE REPOWERING AND EXPANSION REQUIREMENTS

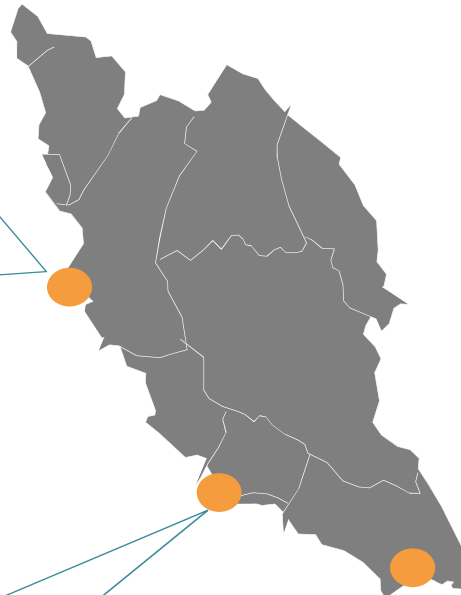
**Segari Energy Ventures (10-year extension expiring in 2027)**



**Port Dickson Power (3-year extension expiring in 2019)**



**Tanjung Bin**

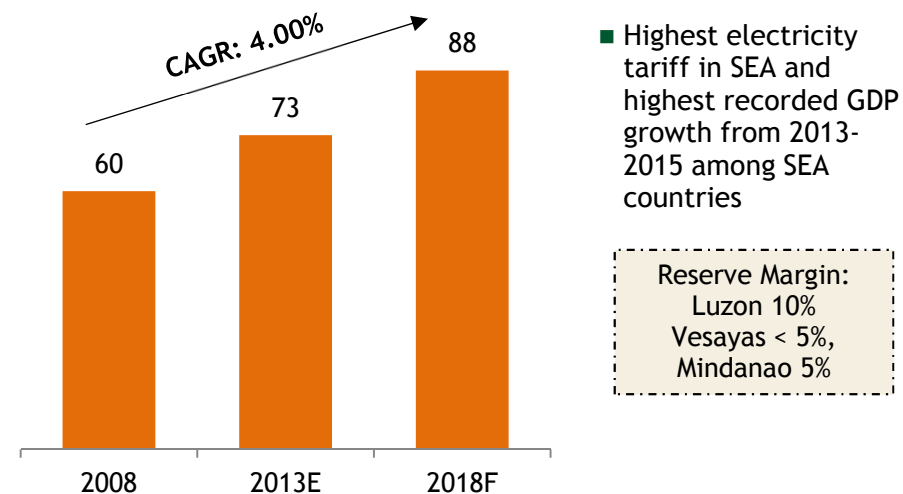


Location	Total size (hectares)	Available (hectares)
Segari, Lumut	46.3	14.5
Port Dickson	21.9	21.9*
Tanjung Bin	361.5	144.3

*\*Upon expiry of PPA*

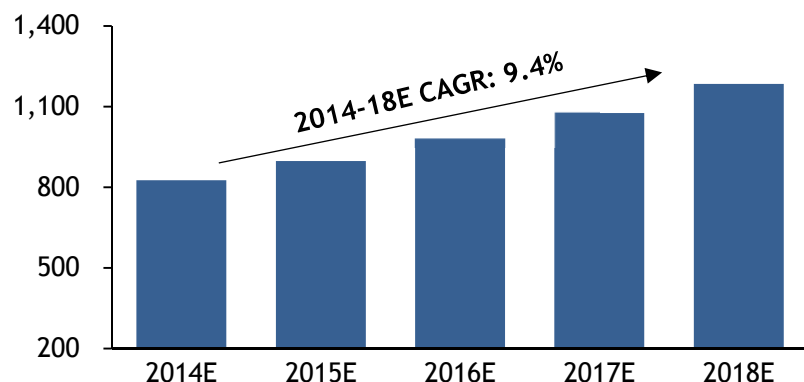
**MALAKOFF**  
A Member of  **MMC Group**

- ## SEA Electricity Consumption (TWh)



# RISING ELECTRICITY & WATER DEMAND IN MIDDLE EAST

**MENA Electricity Demand (TWh)**



## Electricity and water capacity expansion policies:

### Saudi Arabia



- Generation capacity to expand to 120 GW by 2032 as an enormous power augmentation programme by the government to meet increasing demand
- Population growth and the new Economic Cities Programmes to drive demand for water

### Bahrain



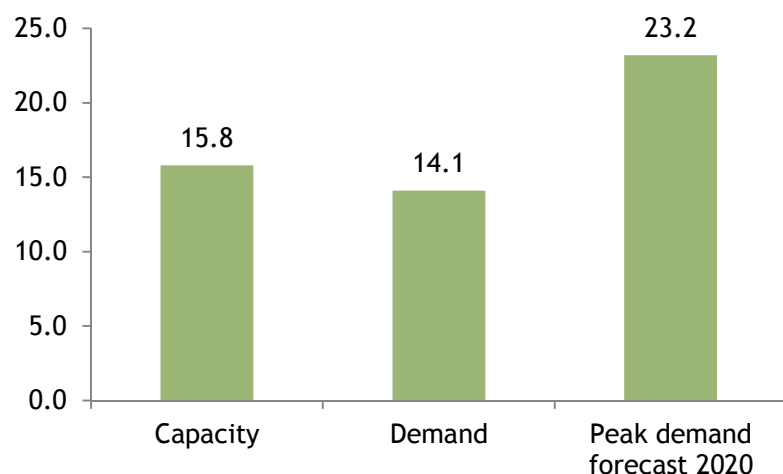
- Plans to increase installed capacity by 2,400 MW by 2016
- Opportunities for private players to buy or increase stakes in existing water plants

### Oman

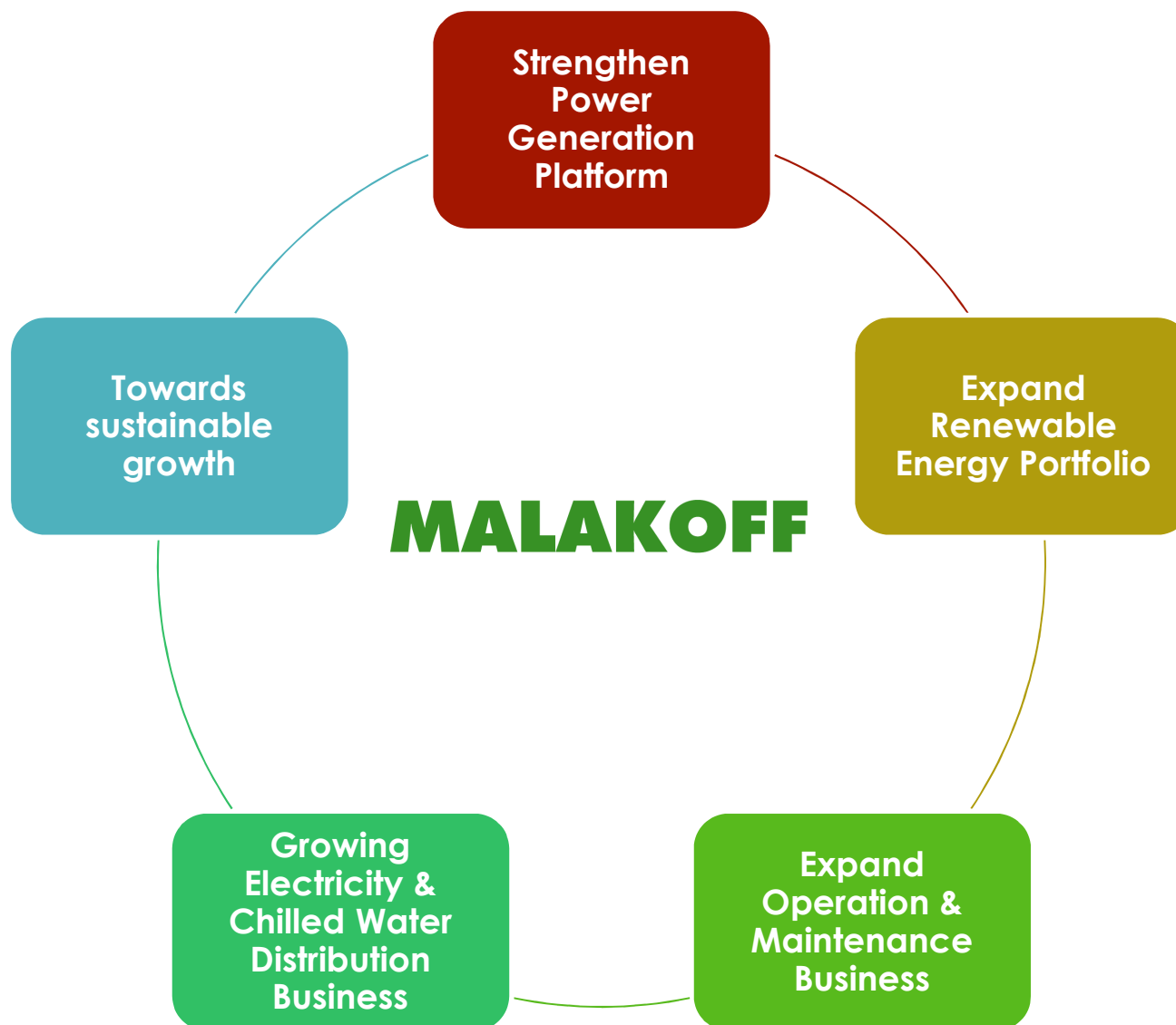


- Government executing plans to increase installed capacity by 2,000 to 5,000 MW over the medium term
- Government looking to expand water production capacity to meet increased water demand expected from growing population and agriculture

**GCC Water Demand and Installed Capacity (million m3/day)**



# SUMMARY OF STRATEGIES



**END OF PRESENTATION**  
***THANK YOU***

**MALAKOFF**  
A Member of  **MMC Group**



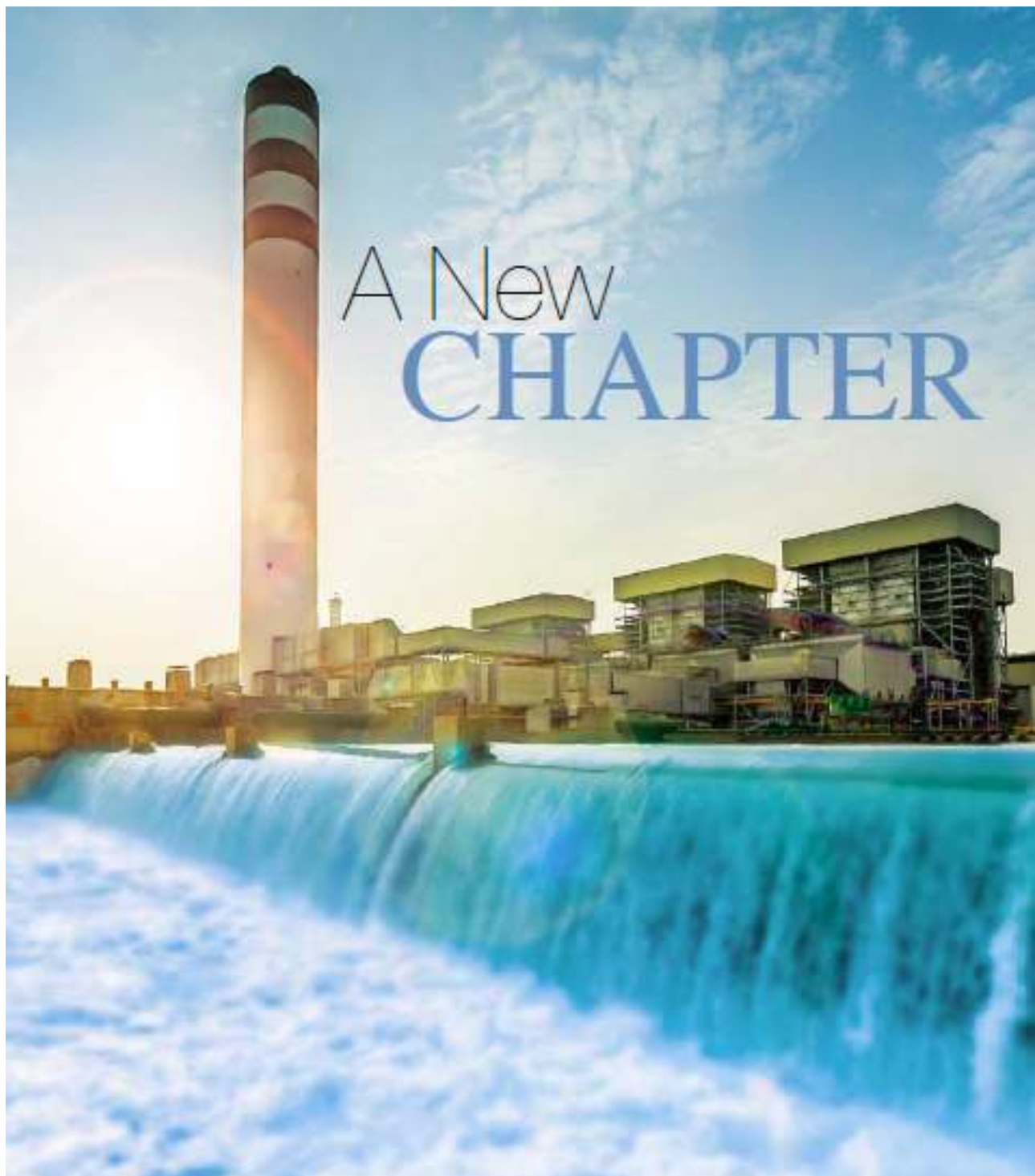
**MALAKOFF**

A Member of  **MMC Group**

**Responses to  
questions received  
from the  
MINORITY  
SHAREHOLDERS  
WATCHDOG GROUP**

**10<sup>th</sup> ANNUAL  
GENERAL MEETING**

**21 April 2016**



# DISCLAIMER

These materials have been prepared Malakoff Corporation Berhad ("Malakoff" or "MCB" or the "Company") solely for informational purposes, and are strictly confidential and may not be taken away, reproduced or redistributed and disseminated either verbally or documented to any other person. By attending this presentation, participants agree not to remove this document from the conference room where such documents are provided without express written consent from the Company. Participants agree further not to photograph, copy or otherwise reproduce these materials at any point of time during the presentation or while in your possession. By attending this presentation, you are agreeing to be bound by the foregoing restrictions. Any failure to comply with these restrictions may result in a violation of applicable laws and commencement of legal proceedings against you.

It is not the Company's intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company's financial position or prospects. The information contained in these materials has not been independently verified and is subject to verification, completion and change without notice. The information contained in these materials is current as of the date hereof and are subject to change without notice, and its accuracy is not guaranteed. The Company is not under any obligation to update or keep current the information contained in these materials subsequent to the date hereof. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company, or any of its directors and affiliates or any other person, as to, and no reliance should be placed for any purposes whatsoever on, the fairness, accuracy, completeness or correctness of, or any errors or omissions in, the information contained in these materials. Neither the Company, its directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of these materials or their contents or otherwise arising in connection therewith.

These materials contain historical information of the Company which should not be regarded as an indication of future performance or results. These materials may also contain forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements reflect the Company's current views with respect to future events and are not a guarantee of future performance or results. Actual results, performance or achievements of the Company may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, and must be read together with such assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of the Company, and the forecast financial performance of the Company is not guaranteed. No reliance should be placed on these forward-looking statements, if any.

## MSWG question

1. The chairman's statement reported that approximately 96.2 percent of the group's revenue is derived from the power generation business which depends much for capacity and energy payments from Tenaga Nasional Berhad (TNB), and comprises a high level of contracted revenue of 91.2 per cent.
  - (a) How and in what ways would the board's decision to move away from natural gas to a more balanced fuel mix ensure sustainable growth and earnings, and in which countries or regions would the board prefer to make a foray into new but related business areas, i.e. Wind energy, water production, electricity and chilled water distribution, operation and maintenance ("O & M") services, and power plant training?

## Answer to question 1 (a) part (i)

Malakoff's move to a more balanced fuel mix is in line with the Malaysian government's policy to diversify fuel-sources for the power sector in order to reduce cost and mitigate fuel-supply risks such as gas shortages and curtailments. Thermal coal plants offer a less costly alternative in the long run due to the abundance of coal and the availability of thermal plant technology.

For long term sustainability, the group is also exploring feasible and scalable forms of Renewable Energy, which is also in line with the government's National Renewable Energy Policy and Action Plan. Given that Tenaga Nasional Berhad ("TNB") is our sole customer in Malaysia, our ability to build and operate various fuel-type plants in response to the country's needs ensures continuous demand for Malakoff's power generation capacities and in turn, sustainable income for the Group.

## Answer to question 1 (a) part (ii)

Business	Country/Region	Rationale
Wind energy	Australia & Europe	<ul style="list-style-type: none"> <li>• Within a major wind belt/zones</li> <li>• Matured market and regulatory framework</li> </ul>
Water production	MENA	<ul style="list-style-type: none"> <li>• Existing footprint in MENA</li> <li>• High demand for water production</li> </ul>
Electricity and chilled water distribution	Malaysia MENA	<ul style="list-style-type: none"> <li>• Existing footprint locally (currently supplying power to KL Sentral)</li> <li>• Continue to explore business/investment opportunities locally and overseas (e.g. MENA)</li> </ul>
O&M	SEA, South Asia & MENA	<ul style="list-style-type: none"> <li>• Existing footprint (Indonesia &amp; Kuwait)</li> <li>• No capital investment, only services</li> <li>• Potential to provide service in power generation and water desalination projects/assets.</li> </ul>
Power plant training	Not a new business. A marketplace development program as part of our Corporate Responsibility.	

## MSWG question

- 1 (b). What are the reasons that out of the six power plants, only two are wholly-owned subsidiaries while four are not wholly-owned namely Kapar Energy Ventures Sdn Bhd (40%-owned), GB3 Sdn Bhd (75%-owned), Tanjung Bin Power Sdn Bhd (90%-owned), and Segari Energy Ventures Sdn Bhd (93.75%-owned) respectively?
- 1(c). Who are the shareholders of those subsidiary companies not wholly owned?

## Answers to question 1(b) and 1(c)

Plant	Malakoff's equity	Other shareholders
Kapar Energy Ventures	40%	Tenaga Nasional Berhad - 60%
Tanjung Bin Power Sdn Bhd	90%	Employees Provident Fund – 10%
Segari Energy Ventures Sdn Bhd	93.75%	Employees Provident Fund - 6.25%
GB3 Sdn Bhd	75%	Tenaga Nasional Berhad – 20% Employees Provident Fund – 5%

### Reason for not wholly-owned by Malakoff

- i. Large investment cost of the project;
- ii. Strategic partners with solid financial strength; and
- iii. Part of the conditions in the government concession

## MSWG question

2. The share of loss of equity-accounted associates and a joint venture, net of tax amounted to RM4.253 million as compared to a profit of RM41.667 million in the previous year, and the share of loss on hedging reserve of equity-accounted associates amounted to RM24.615 million (2014: loss of RM22.608 million).
- (a) Please provide the reasons which associates are making losses and why the joint venture, Almiyah Attilemcania SPA (“AAS”) was imposed with a penalty and what would be the impact to the Group?

## Answers to question 2(a)

- i. In 2015 the following registered losses i.e., associate companies Kapar Energy Ventures Sdn Bhd (“KEV”), Muscat City Desalination Company S.A.O.C (“MCDC”); and our joint venture, Almiyah Attilemcania (“AAS”)
- ii. The details of the case is provided in Note 34 page 242 of the Annual Report 2015. In summary, our joint venture Almiyah Attilemcania SPA (“AAS”), had entered into a supply contract with Hydrochem (S) Pte Ltd (“HS”) and a construction contract with Hyflux Engineering Algeria Eurl (“HEA”), all for the construction of the Souk Tleta IWP. The parties also signed a bridging agreement to treat the supply contract and the construction contract as one single contract (“EPC Contract”).
  - AAS was imposed a penalty for an alleged breach of foreign exchange regulations involving the sum of USD26.9 million due to gaps between the value of the delivered equipment received as per the invoices declared to the customs and the value of the milestone payments made by AAS to the supplier cum contractor.
  - The penalty has not been enforced as AAS is pursuing its rights to appeal as well as other legal options available to it. We are of the opinion that the penalty was imposed due to unfamiliarity of the local Authorities with the modern Engineering, Procurement & Commissioning (EPC) contracts.
  - The group’s liability arising from the penalty (if enforced) in proportion to the Group’s 37.5% effective interest in AAS amounts to RM52.9 million.

## MSWG question

2(b). What are the causes that contributed to the Group's share of loss in Kapar Energy Ventures Sdn Bhd for two financial years (2015: RM61.239 million and 2014: RM51.515 million)?

### Answer to question 2(b)

The losses incurred by Kapar Energy Ventures Sdn Bhd ("KEV") in 2014 and 2015 is due to a culmination of factors which include:

- (i) equipment breakdown and plant forced outages;
- (ii) siltation at the seawater intake; and
- (iii) boiler tube leaks as well as turbine vibration issues, of which the latter has been resolved.

As a result of the above, KEV has recorded lower revenue and increased maintenance and repair costs.

## MSWG question

2(c). Who are the major shareholders of the equity interest of 60% in Kapar Energy Ventures Sdn Bhd (“KEV”)?

### Answer to question 2(c)

The 60% shareholding in KEV is owned by Tenaga Nasional Berhad.

## MSWG question

3. In Note 7 to the consolidated financial statements on investment in associates, it was reported that the Group's share of loss in Muscat City Desalination Company S.A.O.C. (MCDC) amounted to RM15.993 million and its share of other comprehensive expense amounted to RM18.032 million.
  - (a). What are the reasons for arbitration proceedings requested by International Water Treatment LLC ("IWT"), the contractor and MCDC, the owner of the works to be constructed under the Al Ghubrah EPC Contract?
  - (b). What is the nature of the dispute and the status under arbitration proceedings?

## Answers to question 3(a) and 3(b)

- 3(a). Details of the arbitration is provided in Note 34 page 243 of the Annual Report 2015. The reasons for the arbitration proceedings concerns the dispute with regards to the enforceability of the delay Liquidated Damages Clause as contained in the Al Ghubrah EPC Contract.
- 3(b). The dispute arose following the delay in the project completion date upon which MCDC sought to claim Liquidated Damages from IWT as per the EPC contract.
- The proceedings will resume on 24 April 2016 for several days after which we expect it would take several months for a decision to be known.

## MSWG question

- 3(c). In respect of the Al Ghubrah EPC Contract, has IWT, the contractor provided any insurance protection for MCDC against performance liquidated damages?
- 3(d). Who are the shareholders of the 55% equity interest in MCDC?

### Answers to question 3(c) and 3(d)

- 3(c). IWT, the contractor, provided a performance bond to MCDC in accordance with the requirements of the EPC Contract.
- 3(d). The 55% equity in MCDC is owned by Summit Water Middle East Company (45%) and Cadagua Al Ghubrah UK Limited (10%)

## MSWG question

3(e). What is the contract value for the works and the timeframe under which MCDC should complete the works, and the basis of the provision of RM75.621 million made and would there be any further provisioning required?

### Answers to question 3(e)

The contract value is approximately USD250 million and the original timeframe for completion was 24 months. Al Ghubrah has since achieved Commercial Operation Date on 19 February 2016.

The RM75.621 million provision is based on Malakoff's portion of the Liquidated Damages payable to Oman Power and Water Procurement Co. No further provisioning is required.

4. In Note 30 to the consolidated financial statements: operating segments, it reported only the results from operating activities under the two operating segments namely asset management and O & M.

Would the Board provide a more comprehensive information on the profit/(loss) for the financial year under each of two operating activities/segments respectively?

### Answer to question 4

The Group's Asset Management and O&M divisions form the integrated operation of our power generation business as a whole. The Board is of the view that Note 30 provide sufficient information on the activities in accordance with approved accounting standards. Certain aspects of our operations provide us with a competitive edge which we would like to maintain. We are of the view the information provided the requisite level of information for readers to make an informed opinion on the company's performance.

## MSWG question

5. We refer to page 107 on the Corporate Governance Statement and Note 35 – Related Parties Transactions, page 247 of the Annual Report, please explain the amount of “other emoluments” of RM346,359 and RM1,296,000 paid to Non-Executive Directors at Company and Group level for FY2015.

### Answer to question 5

The “other emoluments” of RM346,359 and RM1,296,000 paid to Non-Executive Directors at Company and Group level for FY2015 comprised Board committee remuneration and Chairman allowances (at the group level) .

## MSWG question

MSWG is promoting high standards of corporate governance best practices in PLCs. In this regard, we hope the Board would publish its AGM minutes in its website.

## Response to request

The Board is in support of good corporate governance and transparency. With regards to the latter, Malakoff is in compliance of disclosure guidelines set by Bursa Malaysia's Main Market Listing Rules. Presentations and material information would be made available via our corporate websites and/or announcements if so required by Bursa Malaysia or our stakeholders.

**END OF PRESENTATION**  
***THANK YOU***

**MALAKOFF**  
A Member of  **MMC Group**

