Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
Quarterly Report on Unaudited Consolidated Results
For the period ended 30 June 2019

	3 months ended 30.6.2019 RM'000 (Unaudited)	3 months ended 30.6.2018 RM'000 (Unaudited)	Cumulative 6 months ended 30.6.2019 RM'000 (Unaudited)	Cumulative 6 months ended 30.6.2018 RM'000 (Unaudited)
Revenue	1,814,790	1,944,052	3,822,135	3,548,286
Cost of sales	(1,475,653)	(1,593,910)	(3,116,208)	(2,860,344)
Gross profit	339,137	350,142	705,927	687,942
Other income	13,017	13,668	26,906	31,357
Administrative expenses	(38,813)	(39,276)	(96,663)	(93,171)
Other operating expenses	(24,105)	(22,478)	(56,402)	(53,872)
Results from operating activities	289,236	302,056	579,768	572,256
Finance income	60,815	59,933	120,846	119,578
Finance costs	(236,963)	(238,941)	(472,580)	(487,294)
Net finance costs	(176,148)	(179,008)	(351,734)	(367,716)
Share of profit of equity-accounted associates and a joint venture, net of tax	9,724	17,228	26,220	32,785
Profit before tax	122,812	140,276	254,254	237,325
Income tax expense	(58,556)	(76,660)	(110,380)	(106,338)
Profit for the period	64,256	63,616	143,874	130,987
Other comprehensive income/(expense), net of tax				
Items that may be reclassified subsequently to profit or loss				
Cash flow hedge	(39,390)	(142,409)	(81,187)	(67,009)
Share of (loss)/gain on hedging reserve of equity-accounted associates	(19,675)	15,248	(35,598)	79,937
Foreign currency translation differences for foreign operations	12,132	5,362	5,473	(17,125)
Other comprehensive expense for the period	(46,933)	(121,799)	(111,312)	(4,197)
Total comprehensive income/(expense) for the period	17,323	(58,183)	32,562	126,790

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
Quarterly Report on Unaudited Consolidated Results
For the period ended 30 June 2019

	3 months ended 30.6.2019 RM'000 (Unaudited)	3 months ended 30.6.2018 RM'000 (Unaudited)	Cumulative 6 months ended 30.6.2019 RM'000 (Unaudited)	Cumulative 6 months ended 30.6.2018 RM'000 (Unaudited)
Profit attributable to :				
Owners of the Company	52,250	52,547	119,254	105,452
Non-controlling interests	12,006	11,069	24,620	25,535
Profit for the period	64,256	63,616	143,874	130,987
Total comprehensive income attributable to :				
Owners of the Company	5,317	(69,252)	7,942	101,255
Non-controlling interests	12,006	11,069	24,620	25,535
Total comprehensive income/(expense) for the period	17,323	(58,183)	32,562	126,790
Earnings per ordinary share (sen)				
Basic/diluted	1.07	1.06	2.44	2.13

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Financial Position
As at 30 June 2019

	As at 30.6.2019 RM'000 (Unaudited)	As at 31.12.2018 RM'000 (Audited)
Non-current assets		
Property, plant and equipment	13,231,482	13,443,183
Intangible assets	2,938,171	3,074,174
Prepaid lease payments	-	59,094
Investments in associates	1,490,731	1,529,720
Investment in a joint venture	-	-
Other investments	20,078	16,248
Finance lease receivable	1,992,564	2,018,982
Derivative financial assets	380,219	412,576
Trade and other receivables	65,989	71,144
Deferred tax assets	173,405	143,363
Total non-current assets	20,292,639	20,768,484
Current assets		
Trade and other receivables	2,077,869	2,213,285
Inventories	680,814	760,804
Current tax assets	130,344	127,768
Finance lease receivable	17,379	14,103
Other investments	4,323,181	3,582,478
Cash and cash equivalents	1,423,341	1,515,147
Total current assets	8,652,928	8,213,585
Total assets	**28,945,567**	**28,982,069**
Equity		
Share capital	5,693,055	5,693,055
Treasury shares	(98,608)	(97,606)
Reserves	20,432	131,744
Accumulated lossess	(157,460)	(82,425)
Equity attributable to owners of the Company	5,457,419	5,644,768
Perpetual sukuk	800,000	800,000
Non-controlling interests	234,306	219,686
Total equity	6,491,725	6,664,454
Non-current liabilities		
Loans and borrowings	13,281,491	13,315,158
Lease liabilities	11,819	-
Employee benefits	127,192	128,264
Provision for decommissioning cost	108,460	96,214
Deferred income	3,974,110	3,858,668
Derivative financial liabilities	245,276	179,539
Deferred tax liabilities	1,245,650	1,350,705
Total non-current liabilities	18,993,998	18,928,548

Condensed Consolidated Statements of Financial Position
As at 30 June 2019

	As at 30.6.2019 RM'000 (Unaudited)	As at 31.12.2018 RM'000 (Audited)
Current liabilities		
Trade and other payables	1,424,091	1,343,938
Current tax liabilities	104,059	75,170
Loans and borrowings	1,809,757	1,885,274
Derivative financial liabilities	34,938	26,271
Deferred income	86,999	58,414
Total current liabilities	3,459,844	3,389,067
Total liabilities	22,453,842	22,317,615
Total equity and liabilities	**28,945,567**	**28,982,069**
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.12	1.15

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2019

	Attributable to owners of the Company								
	Non-distributable				Distributable				
			Reserves						
	Share Capital RM'000	Treasury Shares RM'000	Translation RM'000	Hedging RM'000	Accumulated Losses RM'000	Total RM'000	Perpetual Sukuk RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 January 2019	5,693,055	(97,606)	3,650	128,094	(82,425)	5,644,768	800,000	219,686	6,664,454
Adjustment on initial application of MFRS 16	-	-	-	-	(195)	(195)	-	-	(195)
At 1 January 2019, restated	5,693,055	(97,606)	3,650	128,094	(82,620)	5,644,573	800,000	219,686	6,664,259
Foreign currency translation differences for foreign operations	-	-	5,473	-	-	5,473	-	-	5,473
Cash flow hedge	-	-	-	(81,187)	-	(81,187)	-	-	(81,187)
Share of loss on hedging reserve of equity-accounted associates	-	-	-	(35,598)	-	(35,598)	-	-	(35,598)
Other comprehensive income/(expense) for the period	-	-	5,473	(116,785)	-	(111,312)	-	-	(111,312)
Profit for the period	-	-	-	-	119,254	119,254	-	24,620	143,874
Comprehensive income/(expense) for the period	-	-	5,473	(116,785)	119,254	7,942	-	24,620	32,562
Profit distribution of perpetual sukuk	-	-	-	-	(23,018)	(23,018)	-	-	(23,018)
Dividends to owners of the Company	-	-	-	-	(171,076)	(171,076)	-	-	(171,076)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(10,000)	(10,000)
Total distribution to owners	-	-	-	-	(171,076)	(171,076)	-	(10,000)	(181,076)
Purchase of treasury shares	-	(1,002)	-	-	-	(1,002)	-	-	(1,002)
At 30 June 2019	5,693,055	(98,608)	9,123	11,309	(157,460)	5,457,419	800,000	234,306	6,491,725

Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2019

	Attributable to owners of the Company								
	Non-distributable				Distributable				
			Reserves						
	Share Capital RM'000	Treasury Shares RM'000	Translation RM'000	Hedging RM'000	Accumulated Losses RM'000	Total RM'000	Perpetual Sukuk RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 January 2018	5,693,055	(1,641)	5,145	175,398	(20,464)	5,851,493	800,000	225,570	6,877,063
Foreign currency translation differences for foreign operations	-	-	(17,125)	-	-	(17,125)	-	-	(17,125)
Cash flow hedge	-	-	-	(67,009)	-	(67,009)	-	-	(67,009)
Share of gain on hedging reserve of equity-accounted associates	-	-	-	79,937	-	79,937	-	-	79,937
Other comprehensive (expense)/income for the period	-	-	(17,125)	12,928	-	(4,197)	-	-	(4,197)
Profit for the period	-	-	-	-	105,452	105,452	-	25,535	130,987
Comprehensive (expense)/income for the period	-	-	(17,125)	12,928	105,452	101,255	-	25,535	126,790
Profit distribution of perpetual sukuk	-	-	-	-	(23,406)	(23,406)	-	-	(23,406)
Incorporation of subsidiaries	-	-	-	-	-	-	-	49	49
Dividends to owners of the Company	-	-	-	-	(182,695)	(182,695)	-	-	(182,695)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(63,239)	(63,239)
Total distribution to owners	-	-	-	-	(182,695)	(182,695)	-	(63,239)	(245,934)
Purchase of treasury shares	-	(68,538)	-	-	-	(68,538)	-	-	(68,538)
At 30 June 2018	5,693,055	(70,179)	(11,980)	188,326	(121,113)	5,678,109	800,000	187,915	6,666,024

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Cash Flows
For the period ended 30 June 2019

	6 months ended 30.6.2019 RM'000 (Unaudited)	6 months ended 30.6.2018 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before tax	254,254	237,325
Adjustments for :		
Non-cash items	579,413	566,062
Finance costs	472,580	487,294
Finance income	(120,846)	(119,578)
Share of profit of equity-accounted associates and a joint venture, net of tax	(26,220)	(32,785)
Operating profit before changes in working capital	1,159,181	1,138,318
Changes in working capital:		
Net change in current assets	306,269	361,698
Net change in current liabilities	18,222	(600,114)
Net change in non-current liabilities	148,525	160,346
Cash generated from operations	1,632,197	1,060,248
Income taxes paid	(193,808)	(165,905)
Net cash from operating activities	1,438,389	894,343
Cash flows from investing activities		
Additional investment in an associate	-	(3,914)
Change in other investments	(740,703)	(457,061)
Dividends received from associates	15,683	20,585
Interest received	85,482	99,496
Other investment in Redeemable Cumulative Convertible Preference Shares	(3,830)	-
Proceeds from disposal of investments in associates	-	23,478
Purchase of property, plant and equipment	(141,672)	(96,878)
Redemption of unsecured loan stocks	-	(55,500)
Proceeds from redemption on unsecured loan stocks	-	10,800
Net cash used in investing activities	(785,040)	(458,994)
Cash flows from financing activities		
Distribution to perpetual sukuk holder	(23,018)	(23,406)
Dividends paid to the owners of the Company	(171,076)	(182,695)
Dividends paid to non-controlling interests	(10,000)	(63,239)
Interest paid	(412,568)	(428,641)
Proceeds from issuance of shares to non-controlling interests	-	49
Purchase of treasury shares	(1,002)	(68,538)
Redemption of preference shares	8,455	-
Repayment of borrowings	(132,867)	(102,208)
Payment of lease liabilities	(3,079)	-
Net cash used in financing activities	(745,155)	(868,678)

Condensed Consolidated Statements of Cash Flows
For the period ended 30 June 2019

	6 months ended 30.6.2019 RM'000 (Unaudited)	6 months ended 30.6.2018 RM'000 (Unaudited)
Net decrease in cash and cash equivalents	(91,806)	(433,329)
Cash and cash equivalents at beginning of the period	1,515,147	2,355,529
Cash and cash equivalents at end of the period	**1,423,341**	**1,922,200**
Cash and cash equivalents comprise :		
Cash and bank balances	298,691	257,271
Deposits with licensed banks and other licensed corporations	1,124,650	1,664,929
	1,423,341	**1,922,200**

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the interim financial statements

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting and Appendix 9B (Part A) of the Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

The audited financial statements of the Group for the financial year ended 31 December 2018 were prepared in accordance with MFRS, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The significant accounting policies adopted in these interim financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2018, except the Group adopted the following MFRSs, Interpretations and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2019 as follows:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The adoption of the above did not have any material impact on the financial statements of the Group, except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has applied the simplified transitional approach on the initial application date of 1 January 2019 and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The impact on the Group's statement of financial position as at 1 January 2019 is as follows:

	As previously stated RM'000	Effects of MFRS 16 adoption RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	13,443,183	72,950	13,516,133
Prepaid lease payments	59,094	(59,094)	-
Non-current liabilities			
Lease liabilities	-	(14,051)	(14,051)
Equity			
Accumulated losses	(82,425)	(195)	(82,620)

2. Audit qualification

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

3. Seasonal or cyclical factors

The Group's operations have not been affected by seasonal or cyclical factors.

4. Unusual items

There was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review because of its nature, size and incidence.

5. Changes in estimates

There was no material change in financial estimates that could materially affect the current interim results.

6. Debt and equity securities

During the current quarter, the Company repurchased a total of 890,000 ordinary shares from the open market for a total consideration of RM707,081 at an average cost of RM0.79 per share. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016. As at 30 June 2019, the total number of treasury shares held is 2.26% of the total number of issued share capital of the Company.

Save as disclosed above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter ended 30 June 2019.

7. Dividends paid

On 31 May 2019, the Company paid a final dividend of 3.5 sen per ordinary shares on 4,887,851,300 ordinary shares in issue, totalling RM171,076,000 in respect of the financial year ended 31 December 2018.

8. Segment reporting

The Group's segmental reporting for the financial period ended 30 June 2019 is as follows:

	Local RM'000	**Foreign RM'000**	**Elimination RM'000**	**Total RM'000**
Revenue from external customers	3,741,751	80,384	-	3,822,135
Inter-segment revenue	441,380	56,394	(497,774)	-
Total segment revenue	4,183,131	136,778	(497,774)	3,822,135
Profit after tax	242,222	70,385	(168,733)	143,874

The Group's segmental reporting for the corresponding financial period ended 30 June 2018 is as follows:

	Local RM'000	**Foreign RM'000**	**Elimination RM'000**	**Total RM'000**
Revenue from external customers	3,463,838	84,448	-	3,548,286
Inter-segment revenue	894,266	74,522	(968,788)	-
Total segment revenue	4,358,104	158,970	(968,788)	3,548,286
Profit after tax	683,241	100,083	(652,337)	130,987

9. Property, plant and equipment

There was no valuation of property, plant and equipment during the current quarter ended 30 June 2019 except for the amounts carried forward pertaining to certain Group properties that had been revalued in the past.

10. Events subsequent to the end of current interim period

i) On 8 July 2019, Tuah Utama Sdn. Bhd. ("TUSB"), a wholly-owned subsidiary of the Company incorporated a private company limited by shares under the Companies Act 2016 known as Malakoff Radiance Sdn. Bhd. ("MRSB"). MRSB was incorporated as the special purpose vehicle company to carry out the business of developing, financing, constructing, operating and maintaining photovoltaic ("PV") solar projects. The share capital of MRSB is RM2 comprising two (2) ordinary shares which have been issued and fully paid-up by TUSB.

ii) On 15 July 2019, the Company incorporated a private company limited by shares under the Companies Act 2016 known as Silver Solar Sdn. Bhd. ("SSSB"). SSSB was incorporated as the special purpose vehicle company to carry out the business of developing, financing, constructing, operating and maintaining photovoltaic ("PV") solar projects. The share capital of SSSB is RM2 comprising two (2) ordinary shares which have been issued and fully paid-up by the Company.

11. Changes in composition of the Group

There was no change in the composition of the Group during the current quarter ended 30 June 2019.

12. Changes in contingent liabilities or contingent assets

There was no change in contingent liabilities or contingent assets since the last audited financial statements for the financial year ended 31 December 2018 except for the following bank guarantees issued to third parties:

	30.6.2019 RM'mil	**31.12.2018** RM'mil
Company and subsidiaries	431.3	423.5

These guarantees mainly consist of performance bonds and security deposits for projects.

13. Capital commitments

Capital commitments of the Group not provided for in the interim financial report are as follows:

	30.6.2019 RM'mil	**31.12.2018** RM'mil
Property, plant and equipment:		
Authorised and contracted for	65.5	83.6
Authorised but not contracted for	134.1	245.9
	199.6	329.5

14. Related party transactions

	30.6.2019 RM'mil	**30.6.2018** RM'mil
Associated company:		
Interest income on unsecured subordinated loan notes	17.4	20.1

Additional information required by the Bursa Securities Listing Requirements

15. Review of performance

Quarter 2, 2019 vs Quarter 2, 2018

For the quarter ended 30 June 2019, the Group recorded RM1,814.8 million in revenue, a 6.6% decrease from RM1,944.1 million reported in the corresponding quarter ended 30 June 2018, primarily due to lower energy payment recorded from Tanjung Bin Energy Sdn. Bhd. ("TBE") coal plant following the plant's 73-day scheduled maintenance outage and rectification works performed from 31 March 2019 to 12 June 2019.

Correspondingly, the Group recorded lower profit before taxation of RM122.8 million compared with RM140.3 million reported in corresponding quarter ended 30 June 2018, primarily attributed to lower contribution from TBE coal plant as a result of the plant's 73-day scheduled maintenance outage and rectification works as well as lower contributions from associates investments.

Year-to-date, 2019 vs Year-to-date, 2018

For the financial period ended 30 June 2019, the Group recorded RM3,822.1 million in revenue, an increase of 7.7% compared with RM3,548.3 million reported in the corresponding period of the preceding year, primarily due to higher energy payment recorded from Tanjung Bin Power Sdn. Bhd ("TBP") coal plant on the back of higher applicable coal price.

The Group recorded profit before taxation of RM254.3 million, a 7.1% increase from RM237.3 million reported in the corresponding period of the preceding year, primarily attributed to improved contribution from TBE coal plant given the shorter plant outage duration, lower barging and demurrage costs following timely completion of coal unloading jetty coupled with lower net finance costs. However, these were partially offset by lower contributions from associates investments.

16. Variation of results against immediate preceding quarter

Quarter 2, 2019 vs Quarter 1, 2019

The Group recorded lower profit before taxation of RM122.8 million in the current quarter compared with RM131.4 million in the immediate preceding quarter, primarily attributed to lower contribution from TBE coal plant as a result of the plant's 73-day scheduled maintenance outage and rectification works from 31 March 2019 to 12 June 2019.

17. Current prospects

Malaysia's power demand growth is expected to be sustained in 2019 whilst undergoing the Malaysia Electric Supply Industry (MESI) Reform 2.0 which is aimed at driving further improvements in the sector's efficiency and competitive landscape. These include the opening-up of the retail segment, creation of a wholesale electricity market, liberalisation of fuel-sourcing and enhancement of demand-side management as well as aligning the Malaysian power sector with the global trends. The Group is monitoring the development closely with a view to remain competitive.

The Group recently completed a 73-day scheduled outage at the Tanjung Bin Energy ("TBE") power plant to undertake major rectification works to increase its resilience and reliability going forward. The Unscheduled Outage Rate ("UOR") of the plant is expected to normalise to below 6% by the fourth quarter of this year.

The Group entered into a Share Sale Agreement with Khazanah Nasional Berhad to acquire the entire interest in Desaru Investments (Cayman Isl.) Limited for a cash consideration of USD70 million. The acquisition is expected to complete by end of the year. Upon completion, the Group will increase its overall power generation and water production capacity to 6,708MW and 544,375 m3/day, respectively and is expected to double the earnings contribution from Shuaibah 3 Independent Water and Power Plant and Shuaibah 3 Expansion Independent Water Plant projects.

The completion of Share Sale Agreement for the proposed acquisition of Alam Flora Sdn. Bhd. ("Alam Flora") has been further extended to 31 January 2020. Upon completion, the Group will be able to expand into the Waste Management and Environment-related sector through Alam Flora.

Based on the foregoing, the Group expects performance to remain satisfactory for the financial year ending 31 December 2019.

18. Profit before tax

Profit before tax is stated after (crediting)/charging the following items:

	3 months ended 30.6.2019 RM'mil	3 months ended 30.6.2018 RM'mil	Cumulative 6 months ended 30.6.2019 RM'mil	Cumulative 6 months ended 30.6.2018 RM'mil
Finance income	(60.8)	(59.9)	(120.8)	(119.6)
Finance costs	237.0	238.9	472.6	487.3
Depreciation	210.8	211.5	420.6	418.0
Amortisation of intangibles assets	70.6	70.6	141.3	141.3
Net foreign exchange gain	(0.9)	(2.4)	(0.7)	(2.5)

19. Profit forecast or profit guarantee

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

20. Tax expense

	3 months ended 30.6.2019 RM'mil	3 months ended 30.6.2018 RM'mil	Cumulative 6 months ended 30.6.2019 RM'mil	Cumulative 6 months ended 30.6.2018 RM'mil
Current tax expense	107.1	152.3	224.2	258.6
Deferred tax expense	(48.5)	(75.6)	(113.8)	(152.3)
Total tax expense	58.6	76.7	110.4	106.3

The Group's effective tax rates for the current period were higher than the statutory income tax rate due to certain expenses not deductible for tax purposes.

21. Status of corporate proposals announced

i) Memorandum of Understanding ("MOU") with Touch Meccanica Sdn. Bhd. ("TMSB")

The Company and TMSB ("the Parties") are currently undertaking full feasibility study at one of the potential sites and targeted to be completed by end of August 2019. Subject to the outcome of the feasibility study, the Parties will then participate in the e-bidding exercise expected to be launched by Sustainable Energy Development Authority (SEDA) by end of the year.

i) Proposed acquisition of 97.37% equity interest in Alam Flora Sdn. Bhd. ("Alam Flora") by Tunas Pancar Sdn. Bhd. ("TPSB")

On 1 August 2018, TPSB, a wholly-owned subsidiary of the Company entered into a Share Sale Agreement ("SSA") with HICOM Holdings Berhad ("HICOM Holdings" or "Vendor"), a wholly-owned subsidiary of DRB-HICOM Berhad for the acquisition of 74,000,000 ordinary shares in Alam Flora, representing 97.37% of its equity interest for a total cash consideration of RM944,610,000 ("Proposed Acquisition of Alam Flora").

The Purchase Consideration for the Proposed Acquisition of Alam Flora shall be satisfied in cash whereby:

(a) upon execution of the SSA, TPSB paid a sum of RM18,892,200 equivalent to 2% of the Purchase Consideration, being the deposit and part payment of the Purchase Consideration, to the Vendor's solicitors as stakeholders; and

(b) the balance of the Purchase Consideration of RM925,717,800 shall be paid by TPSB to the Vendor on completion of the Proposed Acquisition of Alam Flora.

The Proposed Acquisition of Alam Flora had been approved by the shareholders of the Company during Extraordinary General Meeting held on 2 October 2018.

On 29 July 2019, TPSB and HICOM Holdings have mutually agreed to extend the Cut-Off Date (as defined therein in the SSA) for a further period of six (6) months until 31 January 2020 in order to fulfil the conditions precedent of the SSA.

ii) Proposed acquisition of the entire equity interest in Desaru Investments (Cayman Isl.) Limited ("DIL") by Malakoff Gulf Limited ("MGL")

On 11 July 2019, MGL, a wholly-owned indirect subsidiary of the Company had entered into a Share Sale Agreement ("SSA") with Khazanah Nasional Berhad ("Khazanah") to acquire the entire equity interest in DIL comprising 1 ordinary share for a cash consideration of USD70 million upon the terms and conditions of the SSA ("Proposed Acquisition of Desaru"). The purchase consideration will be satisfied by utilising cash from the Company's internally generated funds.

The Proposed Acquisition of Desaru is conditional upon Khazanah obtaining the waiver from the existing shareholders of Malaysian Shoaiba Consortium Sdn. Bhd. ("MSCSB") in respect of Khazanah's undertaking to ensure that it remains the direct or indirect holder of 100% of the share capital of DIL and the waiver from Shuaibah National Company for Water and Power Limited and Saudi-Malaysia Water & Electricity Co. Ltd being obtained in respect of the undertaking by MSCSB that Khazanah shall maintain the majority control of the board and majority shareholder voting rights over DIL.

The Proposed Acquisition of Desaru is expected to be completed by fourth quarter of 2019.

22. Borrowings

	30.6.2019 RM'mil	31.12.2018 RM'mil
Current		
- Secured	1,809.8	1,885.3
Non-current		
- Secured	13,251.4	13,285.1
- Unsecured	30.0	30.0
	13,281.4	13,315.1
	15,091.2	15,200.4

The breakdown of Group borrowings by currency is as follows:

	30.6.2019 RM'mil	31.12.2018 RM'mil
Functional currency		
- RM	12,992.2	13,059.0
- AUD	1,801.4	1,827.1
- USD	297.6	314.3
	15,091.2	15,200.4

23. Changes in material litigation

i) *Proceedings by the Public Prosecutor of Algeria against Almiyah Attilemcania SpA ("AAS")*

On 4 September 2014, a joint venture of the Group, AAS, was charged in the Court of Ghazouet in the district of Tlemcen, Algeria, for an alleged breach of foreign exchange regulations concerning a sum of USD26.9 million. The Group holds an indirect effective interest of 35.7% in AAS via Tlemcen Desalination Investment Company SAS ("TDIC"), an indirect subsidiary of Malakoff International Limited.

In 2009, it was discovered that there was a considerable gap 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 ("Invoice Gap"). AAS wrote to the supplier cum contractor requesting for clarification as they are responsible to resolve tax and customs issues. The Invoice Gap however was not resolved by the supplier cum contractor and the Algerian Customs then initiated investigations and thereafter a charge was filed against AAS in respect of repression of foreign exchange regulations.

The Court had on 24 December 2014 convicted AAS and had subsequently imposed a penalty of DZD3,929,038,151 (approximately RM148.3 million at the exchange rate of RM1: DZD26.5) ("Penalty"). The Group's liability arising from the Penalty, in proportion to the Group's 35.7% effective interest in AAS via TDIC, which may impact the profit of the Group, amounts to DZD1,402,666,620 (approximately RM52.9 million). The Court of Appeal upheld the decision and the Penalty imposed by the Court on 2 March 2016.

Notwithstanding the decision of the Court, AAS has been advised by its solicitor, Maitre Hadjer Becha, an attorney admitted to the Algerian Supreme Court, that the Penalty would not be enforced until the exhaustion of all rights to appeal by AAS in respect of the proceedings.

AAS' solicitors had filed an appeal at the Supreme Court on 17 June 2016 and subsequently submitted the grounds of appeal on 9 August 2016. The Supreme Court has yet to deliver any decision on the appeal.

In 2016, the Group's carrying amount of investment in AAS has been fully provided in respect of the foregoing. Notwithstanding this, AAS will continue with the appeal until the exhaustion of all rights.

ii) Request for Arbitration under International Chamber of Commerce International Court of Arbitration ("ICC") filed by Algerian Energy Company SPA ("AEC" or "Claimant") against (1) Tlemcen Desalination Investment Company SAS ("TDIC"), (2) Hyflux Limited ("Hyflux") and (3) Malakoff Corporation Berhad ("MCB" or "Company") in relation to the Souk Tleta seawater desalination plant in the district of Tlemcen, Algeria ("Plant")

On 19 March 2019, AEC had filed a Request for Arbitration ("Request") at ICC, Paris, against TDIC, Hyflux and MCB (collectively referred to as "Respondents") in relation to the Water Purchase Agreement dated 9 December 2007, Framework Agreement of December 2007 ("FA"), Joint Venture Agreement dated 28 March 2007 ("JVA") and Dispute Resolution Protocol dated 9 December 2007 ("DRP") (collectively referred to as "Contract Documents").
In the Request, the Claimant has alleged, amongst others, that the Respondents:

a) are liable for breaches and negligence in the design, operation and maintenance of the Plant; and
b) wrongly objected to the termination of the WPA, transfer of shares to AEC and carrying out of technical audit under the FA.

In this regard, the reliefs sought by the Claimant from the arbitral tribunal include, inter alia:

a) a declaration that the Respondents have breached their contractual obligations under the contracts between the parties, in particular the Contract Documents;
b) an order that the WPA was validly terminated for events of default;
c) an order for TDIC to transfer its shares in Almiyah Attilemcania SpA ("AAS"), the project company, to AEC at the price of 1 Algerian Dinar;
d) an order for the Respondents to indemnify AEC for damages incurred as a result of their breaches, estimated on an interim basis at 80 Million Euro;
e) an order for the Respondents to pay all the costs for the Plant rehabilitation to be completed by a third party to be selected by AEC; and
f) an order for the Respondents to guarantee the payment or reimburse the fine of 3,929 million Algerian Dinar (imposed on AAS by Algerian courts and currently pending outcome of AAS' appeal at Algerian Supreme Court).

MCB has appointed international arbitration lawyers in Paris and Kuala Lumpur to advise on the Request and take the necessary steps to defend its position and vigorously challenge AEC's claims in the ICC arbitration, and possibly counterclaim against AEC.

The Respondents had filed their respective Answers to the Request at the ICC in May 2019 raising, amongst others, various preliminary objections. The ICC Court had considered the said preliminary objections but decided on 8 August 2019 that the arbitration shall go on and ICC will proceed to nominate three (3) arbitrators.

The Request is not expected to have any operational impact to MCB Group. The financial impact, if any, of the Request, cannot be determined with finality at this juncture as the claims are still being reviewed by MCB's lawyers.

iii) *Application to join Malakoff Corporation Berhad ("MCB") and Malakoff Power Berhad ("Joinder Application") in the Singapore International Arbitration Centre Arbitration No. 278 of 2018 ("Arbitration") between Prai Power Sdn. Bhd. ("Claimant"), a wholly-owned subsidiary of MCB, and (1) GE Energy Parts, Inc, (2) GE Power Systems (Malaysia) Sdn. Bhd., (3) General Electric International, Inc, and (4) General Electric Company (Collectively "Respondents")*

MCB was notified on 9 August 2019 that GE Energy Parts, Inc ("1st Respondent"), GE Power Systems (Malaysia) Sdn. Bhd. ("2nd Respondent"), General Electric International, Inc, and General Electric Company (collectively referred to as "Respondents") have filed an application ("Joinder Application") to join MCB and MPB, a wholly-owned subsidiary of MCB, as parties to the Respondents' Counterclaim, in the arbitration initiated by Allianz General Insurance Company (Malaysia) Berhad ("AGI") on 24 September 2018 under the Arbitration Rules of Singapore Arbitration Centre as a subrogated action ("Arbitration"), in the name of the Claimant, against the Respondents, in relation to an incident on or about 18 July 2015 ("2015 Incident") which resulted in damage to a gas turbine at the Claimant's 350MW Combined Cycle Gas Turbine Power Plant situated in Prai, Penang ("Prai Power Plant").

The Claimant alleged, among others, that the Respondents had failed to exercise reasonable care and skill to properly design, manufacture, supply and install a GE 109FA single shaft gas turbine at the Prai Power Plant and therefore claimed for, among others, loss and damage in the sum of RM72,094,050.12 from the Respondents.

On 22 April 2019, the Respondents filed a Counterclaim against the Claimant, seeking damages for breach of the Settlement and Release Agreement between the Respondents, Claimant, MCB and MPB which was entered into on 12 December 2012 ("SRA") for resolution of disputes in relation to two incidents at the Prai Power Plant which occurred in 2006 and 2009 and the agreement between the Claimant and the 1st and 2nd Respondents which was entered into on 19 December 2000 ("Agreement by the Claimant") in relation to a Long-Term Service Agreement between MPB and the 1st and 2nd Respondents.

In the Joinder Application, the Respondents alleged that:

a) the commencement of the Arbitration constitutes a breach of the SRA, in respect of which MCB and MPB are liable;
b) under the SRA, MCB and MPB are liable to indemnify the Respondents against the Arbitration; and
c) if the Respondents are found liable for the 2015 Incident, MPB is liable for contributory negligence as the operator of the Prai Power Plant.

MCB and MPB are in the process of seeking legal advice and preparing its response to the Joinder Application.

Pursuant to the Subrogation Form dated 27 October 2016, AGI had agreed to indemnify the Claimant against any liability for costs, charges and expenses arising in connection with any proceedings which AGI may take in the Claimant's name.

24. Dividend Payable

The Directors recommend the payment of an interim dividend of 2.44 sen per ordinary share in respect of the financial year ending 31 December 2019. The interim dividend will be paid on 11 October 2019 to shareholders registered on the Company's Register of Members at the close of business on 13 September 2019.

In the corresponding quarter ended 30 June 2018, the Directors recommended the payment of an interim dividend of 2.10 sen per ordinary share in respect of the financial year ended 31 December 2018. The interim dividend was paid on 11 October 2018.

25. Earnings per ordinary share

	3 months ended 30.6.2019	**3 months ended 30.6.2018**	**Cumulative 6 months ended 30.6.2019**	**Cumulative 6 months ended 30.6.2018**
Basic/Diluted Earnings per Ordinary Share				
Profit for the period attributable to owners of the Company (RM'mil)	52.3	52.5	119.3	105.5
Weighted average number of ordinary shares ('mil)	4,887.5	4,934.6	4,887.7	4,957.8
Basic/diluted earnings per ordinary share (sen)	1.07	1.06	2.44	2.13

26. Authorisation for issue

The interim financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 August 2019.

By Order of the Board
Yeoh Soo Mei (MAICSA No.7032259)
Sharifah Ashtura Jamalullail binti Syed Osman (LS 0009113)
Secretaries
Kuala Lumpur
23 August 2019