

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
Quarterly Report on Unaudited Consolidated Results
For the Period Ended 30 June 2021

	3 months ended 30.06.2021 RM'000 (Unaudited)	3 months ended 30.06.2020 RM'000 (Unaudited)	Cumulative 6 months ended 30.06.2021 RM'000 (Unaudited)	Cumulative 6 months ended 30.06.2020 RM'000 (Unaudited)
Revenue	1,584,439	1,506,169	2,935,616	3,280,142
Cost of sales	(1,221,290)	(1,231,462)	(2,288,147)	(2,673,950)
Gross profit	363,149	274,707	647,469	606,192
Other income	3,926	53,178	10,799	56,509
Administrative expenses	(60,674)	(54,147)	(110,483)	(109,135)
Impairment loss on financial instruments	(6,120)	(6,179)	(12,213)	(13,190)
Other operating expenses	(31,448)	(13,121)	(55,348)	(45,257)
Results from operating activities	268,833	254,438	480,224	495,119
Finance income	31,375	46,514	60,058	95,632
Finance costs	(171,991)	(188,962)	(343,169)	(379,381)
Net finance costs	(140,616)	(142,448)	(283,111)	(283,749)
Share of profit of equity-accounted associates and joint ventures, net of tax	61,477	50,533	89,263	91,357
Profit before tax	189,694	162,523	286,376	302,727
Tax expense	(59,789)	(47,525)	(82,567)	(84,417)
Profit for the period	129,905	114,998	203,809	218,310
Other comprehensive income/(expense), net of tax				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liabilities	(32)	-	(32)	(4,393)
Items that may be reclassified subsequently to profit or loss				
Cash flow hedge	(8,085)	(1,852)	20,809	(69,655)
Share of profit/(loss) on hedging reserve of equity-accounted associates and joint ventures	16,776	31,463	43,621	(29,744)
Foreign currency translation differences for foreign operations	1,579	65,630	8,065	6,463
	10,270	95,241	72,495	(92,936)
Other comprehensive income/(expense) for the period	10,238	95,241	72,463	(97,329)
Total comprehensive income for the period	140,143	210,239	276,272	120,981

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	3 months ended 30.06.2021 RM'000 (Unaudited)	3 months ended 30.06.2020 RM'000 (Unaudited)	6 months ended 30.06.2021 RM'000 (Unaudited)	6 months ended 30.06.2020 RM'000 (Unaudited)
Profit attributable to:				
Owners of the Company	117,734	104,959	178,178	194,137
Non-controlling interests	12,171	10,039	25,631	24,173
Profit for the period	<u>129,905</u>	<u>114,998</u>	<u>203,809</u>	<u>218,310</u>
Total comprehensive income attributable to:				
Owners of the Company	127,972	200,200	250,641	96,808
Non-controlling interests	12,171	10,039	25,631	24,173
Total comprehensive income for the period	<u>140,143</u>	<u>210,239</u>	<u>276,272</u>	<u>120,981</u>
Earnings per ordinary share (sen)				
Basic/diluted	2.41	2.15	3.65	3.97

Condensed Consolidated Statements Of Financial Position
As At 30 June 2021

	As at 30.06.2021 RM'000 (Unaudited)	As at 31.12.2020 RM'000 (Audited)
Assets		
Property, plant and equipment	12,057,640	12,391,428
Investment properties	15,300	15,300
Concession assets	158,820	167,837
Intangible assets	2,991,056	3,144,168
Investments in associates	877,065	798,841
Investments in joint ventures	722,496	668,364
Other investments	2,484	23,999
Derivative financial assets	283,549	231,170
Trade and other receivables	457,671	480,666
Deferred tax assets	194,003	194,583
Total non-current assets	17,760,084	18,116,356
Trade and other receivables	1,227,110	884,184
Inventories	693,950	591,799
Current tax assets	94,439	90,627
Other investments	3,361,584	3,378,157
Cash and cash equivalents	928,332	1,062,600
Assets classified as held for sale	65,000	65,000
Total current assets	6,370,415	6,072,367
Total assets	24,130,499	24,188,723
Equity		
Share capital	5,693,055	5,693,055
Treasury shares	(98,647)	(98,647)
Reserves	134,464	61,969
Accumulated losses	(306,129)	(348,468)
Equity attributable to owners of the Company	5,422,743	5,307,909
Perpetual sukuk	800,000	800,000
Non-controlling interests	322,724	336,802
Total equity	6,545,467	6,444,711
Liabilities		
Loans and borrowings	9,394,273	9,717,431
Lease liabilities	6,652	6,746
Employee benefits	106,678	100,483
Provision for decommissioning cost	103,164	99,893
Provision for concession assets	285,735	267,715
Deferred income	3,208,191	3,357,888
Derivative financial liabilities	10,897	15,381
Deferred tax liabilities	1,158,017	1,200,943
Total non-current liabilities	14,273,607	14,766,480

Condensed Consolidated Statements Of Financial Position
As At 30 June 2021

	As at 30.06.2021 RM'000 (Unaudited)	As at 31.12.2020 RM'000 (Audited)
Trade and other payables	1,436,130	1,360,268
Current tax liabilities	24,358	16,894
Loans and borrowings	1,421,346	1,164,663
Lease liabilities	2,685	6,616
Provision for decommissioning cost	9,784	11,809
Provision for concession assets	26,691	26,691
Deferred income	390,431	390,591
Total current liabilities	3,311,425	2,977,532
Total liabilities	17,585,032	17,744,012
Total equity and liabilities	24,130,499	24,188,723
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.11	1.09

Condensed Consolidated Statement of Changes in Equity
For the Period Ended 30 June 2021

	/----- Attributable to owners of the Company -----/								
	/----- Non-distributable -----/				Distributable				
	Share Capital RM'000	Treasury Shares RM'000	Reserves		Accumulated Losses RM'000	Total RM'000	Perpetual Sukuk RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Translation RM'000	Hedging RM'000							
At 1 January 2021	5,693,055	(98,647)	(12,657)	74,626	(348,468)	5,307,909	800,000	336,802	6,444,711
Remeasurement of defined benefit liability	-	-	-	-	(32)	(32)	-	-	(32)
Foreign currency translation differences for foreign operations	-	-	8,065	-	-	8,065	-	-	8,065
Cash flow hedge	-	-	-	20,809	-	20,809	-	-	20,809
Share of gain on hedging reserve of equity-accounted associates and joint ventures	-	-	-	43,621	-	43,621	-	-	43,621
Other comprehensive income/(expense) for the period	-	-	8,065	64,430	(32)	72,463	-	-	72,463
Profit for the period	-	-	-	-	178,178	178,178	-	25,631	203,809
Comprehensive income for the period	-	-	8,065	64,430	178,146	250,641	-	25,631	276,272
Profit distribution of perpetual sukuk	-	-	-	-	(23,406)	(23,406)	-	-	(23,406)
Dividends to owners of the Company	-	-	-	-	(112,401)	(112,401)	-	-	(112,401)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(39,709)	(39,709)
Total distribution to owners	-	-	-	-	(112,401)	(112,401)	-	(39,709)	(152,110)
At 30 June 2021	5,693,055	(98,647)	(4,592)	139,056	(306,129)	5,422,743	800,000	322,724	6,545,467

Condensed Consolidated Statement of Changes in Equity
For the Period Ended 30 June 2021

	/----- Attributable to owners of the Company -----/								
	/----- Non-distributable -----/				Distributable				
	Share	Treasury	Reserves		Accumulated	Total	Perpetual	Non-controlling	Total
	Capital	Shares	Translation	Hedging	Losses		Sukuk	Interests	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	5,693,055	(98,647)	(12,652)	165,832	(237,857)	5,509,731	800,000	365,516	6,675,247
Remeasurement of defined benefit liability	-	-	-	-	(4,393)	(4,393)	-	-	(4,393)
Foreign currency translation differences for foreign operations	-	-	6,463	-	-	6,463	-	-	6,463
Cash flow hedge	-	-	-	(69,655)	-	(69,655)	-	-	(69,655)
Share of loss on hedging reserve of equity-accounted associates and joint ventures	-	-	-	(29,744)	-	(29,744)	-	-	(29,744)
Other comprehensive income/(expense) for the period	-	-	6,463	(99,399)	(4,393)	(97,329)	-	-	(97,329)
Profit for the period	-	-	-	-	194,137	194,137	-	24,173	218,310
Comprehensive income/(expense) for the period	-	-	6,463	(99,399)	189,744	96,808	-	24,173	120,981
Profit distribution of perpetual sukuk	-	-	-	-	(23,367)	(23,367)	-	-	(23,367)
Dividends to owners of the Company	-	-	-	-	(200,854)	(200,854)	-	-	(200,854)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(35,499)	(35,499)
Total distribution to owners	-	-	-	-	(200,854)	(200,854)	-	(35,499)	(236,353)
At 30 June 2020	5,693,055	(98,647)	(6,189)	66,433	(272,334)	5,382,318	800,000	354,190	6,536,508

Condensed Consolidated Statements Of Cash Flows
For the Period Ended 30 June 2021

	6 months ended 30.06.2021 RM'000 (Unaudited)	6 months ended 30.06.2020 RM'000 (Unaudited)
Cash flows from operating activities		
Profit before tax	286,376	302,727
Adjustments for :		
Non cash-items	647,209	643,594
Finance costs	343,169	379,381
Finance income	(60,058)	(95,632)
Share of profit of equity-accounted associates and joint ventures, net of tax	(89,263)	(91,357)
Operating profit before changes in working capital	<u>1,127,433</u>	<u>1,138,713</u>
<i>Changes in working capital:</i>		
Net change in current assets	(536,440)	741,080
Net change in current liabilities	137,646	(273,534)
Net change in non-current liabilities	(133,177)	(144,139)
Cash generated from operations	<u>595,462</u>	<u>1,462,120</u>
Tax paid, net	(123,437)	(145,304)
Net cash from operating activities	<u>472,025</u>	<u>1,316,816</u>
Cash flows from investing activities		
Change in other investments	16,573	(1,433,080)
Dividends received from associates	-	3,913
Dividends received from joint ventures	28,005	30,974
Interest received	71,154	79,738
Other investment in redeemable cumulative convertible preference share	-	(2,484)
Purchase of property, plant and equipment	(118,758)	(174,683)
Purchase of concession assets	(1,454)	(6,447)
Proceeds from disposal of property, plant and equipment	135	-
Net cash used in investing activities	<u>(4,345)</u>	<u>(1,502,069)</u>
Cash flows from financing activities		
Distribution to perpetual sukuk holder	(23,406)	(23,367)
Dividends paid to owners of the Company	(112,401)	(200,854)
Dividends paid to non-controlling interests	(39,709)	(35,499)
Interest paid	(276,336)	(352,869)
Proceeds from borrowings	2,970,000	-
Repayment of borrowings	(3,114,366)	(523,282)
Payment of lease liabilities	(5,730)	(6,904)
Net cash used in financing activities	<u>(601,948)</u>	<u>(1,142,775)</u>

**Condensed Consolidated Statements Of Cash Flows
For the Period Ended 30 June 2021**

	6 months ended 30.06.2021 RM'000 (Unaudited)	6 months ended 30.06.2020 RM'000 (Unaudited)
Net decrease in cash and cash equivalents	(134,268)	(1,328,028)
Cash and cash equivalents at beginning of the period	1,062,600	2,745,389
Cash and cash equivalents at end of the period	<u>928,332</u>	<u>1,417,361</u>
Cash and cash equivalents comprise :		
Cash and bank balances	279,578	543,791
Deposits with licensed banks and other licensed corporations	648,754	873,570
	<u>928,332</u>	<u>1,417,361</u>

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 2020 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 2020 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 2020, except the Group adopted the following Amendments to MFRSs effective for annual periods beginning on or after 1 January 2021 as follows:

- Amendments to MFRS 9, *Financial Instruments*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to MFRS 7, *Financial Instruments: Disclosures*
- Amendments to MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The Group has early adopted the Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021* which is effective for annual period beginning on or after 1 April 2021.

The adoption of the above did not have any material impact on the financial statements of the Group.

2. Audit qualification

The report of the auditors on the Group's financial statements for the financial year ended 31 December 2020 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 made in prior financial year that could materially affect the current interim results.

6. Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter.

7. Dividends paid

On 18 June 2021, the Company paid a final dividend of 2.30 sen per ordinary share on 4,886,961,300 ordinary shares in issue, totalling RM12,400,110 in respect of the financial year ended 31 December 2020.

8. Segment reporting

During the current period, with the addition of Alam Flora into the Group's strategic business units, the Managing Director/Chief Executive Officer has reviewed and recognised Waste Management and Environment services as one of the key focus areas in a manner consistent with current internal reporting provided to the Management for the allocation of resource and assessment of segment performance. Accordingly, the Group has restated the operating segment information for the corresponding period.

The Group's segmental reporting for the financial period ended 30 June 2021 is as follows:

	<u>Power generation</u>			Waste Management and Environmental Services	<u>Others</u>			<u>Elimination</u>			<u>Total</u>		
	Local	Foreign	Total	Local	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	2,475,852	-	2,475,852	406,413	53,351	-	53,351	-	-	-	2,935,616	-	2,935,616
Inter-segment revenue	-	-	-	-	753,553	12,305	765,858	(753,553)	(12,305)	(765,858)	-	-	-
Total segment revenue	2,475,852	-	2,475,852	406,413	806,904	12,305	819,209	(753,553)	(12,305)	(765,858)	2,935,616	-	2,935,616
Profit after tax	236,183	85,406	321,589	62,501	323,919	62,772	386,691	(497,234)	(69,738)	(566,972)	125,369	78,440	203,809

The Group's segmental reporting for the corresponding financial period ended 30 June 2020 is as follows:

	<u>Power generation</u>			<u>Waste Management and Environmental Services</u>			<u>Others</u>			<u>Elimination</u>			<u>Total</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Local</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>		
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>		
Revenue from external customers	2,809,223	-	2,809,223	407,363	63,062	494	63,556	-	-	-	3,279,648	494	3,280,142		
Inter-segment revenue	-	-	-	-	830,819	34,887	865,706	(830,819)	(34,887)	(865,706)	-	-	-		
Total segment revenue	2,809,223	-	2,809,223	407,363	893,881	35,381	929,262	(830,819)	(34,887)	(865,706)	3,279,648	494	3,280,142		
Profit after tax	252,717	88,587	341,304	44,295	335,980	23,743	359,723	(486,281)	(40,731)	(527,012)	146,711	71,599	218,310		

9. Property, plant and equipment

There was no valuation of property, plant and equipment during the current quarter ended 30 June 2021 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 15 July 2021, Alam Flora Environmental Services Sdn. Bhd. (formally known as DRB-HICOM Environmental Sdn. Bhd.) (“AFES”), a subsidiary of the Company entered into a Sale and Purchase Agreement (“SPA”) with The New Straits Times Properties Sdn. Bhd. to acquire a parcel of leasehold industrial land held under H.S.(D) 116410, PT 237, Bandar Sultan Sulaiman, Daerah Klang, Selangor measuring approximately 23,370 square metres together with two (2) single storey detached factory warehouses erected thereon bearing postal address of Lot. 33, Lebuhr Sultan Mohamed 1, Jalan Lebuhr 1, Kawasan Perindustrian Bandar Sultan Sulaiman, 42000 Port Klang, Selangor Darul Ehsan for a purchase consideration of RM25 million, subject to the terms and conditions as stipulated in the SPA (“Proposed Land Acquisition”).

The Proposed Land Acquisition will enable AFES to proceed with the development of an off-site recovery facility for waste management and expansion of its environmental business activities.

- ii) On 11 August 2021, the Company, Tuah Utama Sdn. Bhd. (“TUSB”), the Company’s wholly-owned subsidiary), Touch Meccanica Sdn. Bhd. (“TMSB”), Batu Bor Hidro Sdn. Bhd. (“BBHSB”) and Lubuk Paku Hidro Sdn. Bhd. (“LPHSB”) entered into a Termination Agreement whereby TUSB agreed to dispose its entire shareholding, comprising 650,000 ordinary shares representing 65% equity interest each, in BBHSB and LPHSB to TMSB, the existing 35% equity shareholder of LPHSB and BBHSB, for a total cash consideration of RM2.0 million (“Proposed Disposal”). The parties thereto agreed to terminate the relevant joint development agreement and shareholders’ agreements with immediate effect upon the terms and conditions therein. Upon the completion of the Proposed Disposal, the Company and TUSB should cease to have any participating interest in the two proposed small hydro projects at Sungai Pahang.

The Proposed Disposal is not expected to have any material effect on the earnings and net assets of MCB Group for the financial year ending 31 December 2021.

11. Changes in composition of the Group

On 13 April 2021, the Company incorporated a private company limited by shares under the Companies Act 2016 known as Yan Energy Ventures Sdn. Bhd. (“YEV”) to carry out the business of developing, financing, constructing, operating and maintaining power plant project. The share capital of YEV is RM10 comprising ten (10) ordinary shares which have been issued and fully paid-up by the Company.

12. Assets classified as held for sale

On 11 December 2019, Port Dickson Power Berhad (“PDP”), a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement (“SPA”) with Pacific Energy Company Limited, Nigeria to dispose four (4) units of used gas turbines and generators, related auxiliaries and spare parts (collectively referred to as “power plant assets”) for a cash consideration of USD19 million.

The expected completion date for the disposal of the power plant assets is delayed due to cross border travel restriction amid the Covid-19 situation. Based on the current development, the disposal of the power plant assets is currently expected to be completed by fourth quarter of 2021. Accordingly, these power plant assets are reclassified as current assets in accordance with MFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

13. 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 2020 except for the following bank guarantees issued to third parties:

	30.6.2021	31.12.2020
	RM'mil	RM'mil
Company and subsidiaries	319.0	323.6

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

14. Capital commitments

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

	30.6.2021	31.12.2020
	RM'mil	RM'mil
Property, plant and equipment:		
Authorised and contracted for	6.8	72.4
Authorised but not contracted for	545.2	813.4
	552.0	885.8

15. Related party transactions

	30.6.2021	30.6.2020
	RM'mil	RM'mil
Associated company:		
Interest income on unsecured subordinated loan notes	12.2	12.3
	12.2	12.3

Additional information required by the Bursa Securities Listing Requirements**16. Review of performance****Quarter 2, 2021 vs Quarter 2, 2020**

For the quarter ended 30 June 2021, the Group recorded RM1,584.4 million in revenue, an increase of 5.2% from RM1,506.2 million reported in the corresponding quarter ended 30 June 2020, primarily due to higher energy payments recorded from Tanjung Bin Power Sdn. Bhd. (“TBP”) and Tanjung Bin Energy Sdn. Bhd. (“TBE”) on the back of higher applicable coal price (“ACP”). However, these were partially offset by lower energy payments recorded from Segari Energy Ventures Sdn. Bhd. (“SEV”) and Prai Power Sdn. Bhd. (“PPSB”) given the decrease in despatch factor.

Correspondingly, the Group recorded higher profit before taxation of RM189.7 million, an increase of 16.7% from RM162.5 million reported in the corresponding quarter ended 30 June 2020, primarily attributed to higher contribution from TBP coal plant on the back of higher ACP, higher contributions from Alam Flora Sdn. Bhd. (“AFSB”) and foreign investments in associates. However, these were partially offset by lower contribution from TBE coal plant given the absence of settlement agreement with Alstom Power Systems and GE Power Services (Malaysia) Sdn Bhd. (collectively referred as “GE”) for the losses and damages incurred in relation to failure events occurred between April 2017 and June 2019.

Year-to-date, 2021 vs Year-to-date, 2020

For the financial period ended 30 June 2021, the Group recorded RM2,935.6 million in revenue, a decrease of 10.5% from RM3,280.1 million reported in the preceding period, primarily due to lower energy payments recorded given the decrease in despatch factor at SEV, TBP and TBE plants.

The Group recorded lower profit before taxation of RM286.4 million, a decrease of 5.4% from RM302.7 million in the preceding period, primarily attributed to lower contribution from TBE given the absence of settlement agreement with GE for the losses and damages incurred in relation to failure events occurred between April 2017 and June 2019, lower contribution from SEV given the decrease in despatch factor coupled with higher depreciation and operation and maintenance costs. However, these were partially moderated by higher contribution from AFSB.

17. Variation of results against immediate preceding quarter**Quarter 2, 2021 vs Quarter 1, 2021**

The Group recorded higher profit before taxation of RM189.7 million in current quarter compared with RM96.7 million in the immediate preceding quarter, primarily attributed to higher contributions from TBP and TBE coal plants on the back of higher ACP as well as higher contribution from Al-Hidd IWPP, a foreign associate investment given the lower plant outages.

18. Current prospects

The Malaysia economy remains on a recovery path in 2021. Nevertheless, Bank Negara Malaysia (“BNM”) after considering the resurgence of COVID-19 cases and the re-imposition of nationwide containment measures, has revised its full-year GDP growth forecast to between 3% and 4% (*Source: BNM Q2 2021 Economic and Financial Developments Report*). As the nation’s vaccination programme gathers pace, the economic sectors are expected to gradually reopen and lift business sentiments. As such, Malaysia’s growth recovery is expected to broadly resume in the later part of second half 2021 and accelerate further going into 2022.

As an essential services provider, the Group continues to focus on enhancing the operational efficiency of its power plants and waste management business and implementing cost-saving measures during this challenging period.

The Group has made significant inroads in its Renewable Energy (“RE”) expansion, particularly in the rooftop solar segment. On 14 April 2021, the Group signed a Solar Power Purchase Agreement (“SPPA”) with AEON Co. (M) Bhd. (AEON Malaysia) for the development and usage of solar energy system at AEON Taman Maluri Shopping Centre with an installed capacity of 2.11 MWp.

On 13 July 2021, the Group completed the signing of six SPPAs to develop rooftop solar energy systems with DRB-HICOM Group of companies with a total capacity of 13.41 MWp. These projects, together with the secured rooftop solar projects with renowned logistics industry players namely Johor Port Berhad, Northport (Malaysia) Bhd and Pos Malaysia Berhad, will generate 33,243 MWh per annum and neutralise 23,070 tonnes of carbon emissions per year.

Based on the foregoing, the Group expects overall performance to remain satisfactory for the financial year ending 31 December 2021.

19. Profit before tax

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

	3 months ended 30.6.2021	3 months ended 30.6.2020	Cumulative 6 months ended 30.6.2021	Cumulative 6 months ended 30.6.2020
	RM'mil	RM'mil	RM'mil	RM'mil
Finance income	(31.4)	(46.5)	(60.1)	(95.6)
Finance costs	172.0	189.0	343.2	379.4
Depreciation	227.2	223.4	452.5	439.8
Amortisation of intangibles assets	79.9	79.4	159.0	160.6
Impairment loss on financial instruments	6.1	6.2	12.2	13.2
Property, plant and equipment written off	-	6.4	-	6.4
Net foreign exchange loss	0.1	1.4	0.1	1.5

20. Profit forecast or profit guarantee

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

21. Tax expense

	3 months ended 30.6.2021 RM'mil	3 months ended 30.6.2020 RM'mil	Cumulative 6 months ended 30.6.2021 RM'mil	Cumulative 6 months ended 30.6.2020 RM'mil
Current tax expense	70.3	63.0	125.0	128.2
Deferred tax expense	(10.5)	(15.5)	(42.4)	(43.8)
Total tax expense	<u>59.8</u>	<u>47.5</u>	<u>82.6</u>	<u>84.4</u>

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

22. Borrowings

	30.6.2021 RM'mil	31.12.2020 RM'mil
Current		
- Secured	<u>1,421.3</u>	<u>1,164.7</u>
Non-current		
- Secured	9,364.3	9,687.4
- Unsecured	30.0	30.0
	<u>9,394.3</u>	<u>9,717.4</u>
	<u>10,815.6</u>	<u>10,882.1</u>

The breakdown of Group borrowings by currency is as follows:

	30.6.2021 RM'mil	31.12.2020 RM'mil
Functional currency		
- RM	10,545.7	10,592.9
- USD	269.9	289.2
	<u>10,815.6</u>	<u>10,882.1</u>

23. Changes in material litigation

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

On 4 September 2014, AAS, a joint venture of the Group, was charged in the Court of Ghazouet ("Court") 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 (“Invoice Gap”) between the value of the equipment received as per the invoices declared to the Algerian Customs and the value of the milestone payments made by AAS to the supplier cum contractor (“Contractor”). AAS wrote to the Contractor seeking clarifications as the Contractor was responsible for resolving tax and customs issues. However, as the Invoice Gap was not resolved by the Contractor, the Algerian Customs initiated investigations and thereafter filed a charge against AAS for 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).

AAS filed an appeal and the Court of Appeal decided on 2 March 2016 to uphold the decision and the Penalty imposed by the Court. AAS had been advised by its attorney in Algeria that notwithstanding the said decision, the Penalty would not be enforced until the exhaustion of all rights to appeal by AAS in respect of the proceedings.

AAS had on 25 December 2016 filed an appeal at the Supreme Court of Algeria and is currently awaiting the outcome of the said appeal.

To date, there has been no development in relation to the appeal.

- ii) *International Chamber of Commerce International Court of Arbitration (“ICC”) Arbitration No. 24250/DDA between Algerian Energy Company SPA (“AEC” or “Claimant”) and (1) Tlemcen Desalination Investment Company SAS (“TDIC”), (2) Hyflux Limited (“Hyflux”) and (3) Malakoff Corporation Berhad (“MCB”) in relation to the Souk Tleta Seawater Desalination Plant in the District of Tlemcen, Algeria (“Plant”)*

On 19 March 2019, AEC 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 (“WPA”), 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 of contract and negligence in the design, operation and maintenance of the Plant; and
- b) Wrongly objected to the termination of the WPA, transfer of AAS shares to AEC and conduct of a technical audit of the Plant 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 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 AAS 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 costs of 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 the Algerian courts for the Invoice Gap, which is currently pending outcome of AAS' appeal to the Algerian Supreme Court).

The Respondents filed their respective answers to the Request at the ICC in May 2019. On 17 January 2020, the Respondents filed their respective submissions on jurisdictional objections against AEC's claims. The Claimant filed its reply on 28 February 2020 and the Respondents submitted their reply on 15 April 2020.

On 15 June 2020, the Arbitral Tribunal conducted a virtual hearing of the Respondents' jurisdictional objections.

On 13 January 2021, the Arbitral Tribunal rendered a partial award on objections to jurisdiction and admissibility ("Partial Award on Jurisdictional Objections"), stating that it has jurisdiction to review and decide on AEC's claims under the JVA and FA, and that it reserves its decision regarding the issues under the WPA. Accordingly, the ICC arbitration will progress to the next phase where the merits of the claims and defences will be heard and deliberated.

On 19 March 2021, the parties agreed, in principle, on the provisional procedural timetable for the arbitration and submitted the said timetable to the Arbitral Tribunal for review and approval. On 7 April 2021, the Arbitral Tribunal issued a procedural timetable for the arbitration. On 19 July 2021, the Arbitral Tribunal circulated a revised procedural timetable reflecting AEC's request to extend the deadline to file its Statement of Claim up to 2 August 2021. Accordingly, AEC submitted its Statement of Claim on 2 August 2021. Based on the procedural timetable, the Respondents are to submit their Statement of Defence by 17 December 2021.

In the meantime, on 9 April 2021, MCB and TDIC filed an application at the Court of Appeal of Paris for the annulment of the ICC Partial Award on Jurisdictional Objections. On 9 July 2021, MCB and TDIC filed their submissions for the said annulment application at the Court of Appeal of Paris.

- iii) *Singapore International Arbitration Centre Arbitration No. 278 of 2018 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"), where Malakoff Corporation Berhad ("MCB") and Malakoff Power Berhad ("MPB") have been joined as third parties to the arbitration*

MCB was notified on 9 January 2020 that GE Energy Parts, Inc ("1st Respondent"), GE Power Systems (Malaysia) Sdn. Bhd. ("2nd Respondent"), General Electric International, Inc ("3rd Respondent"), and General Electric Company ("4th Respondent") had filed an

application (“Joinder Application”) to join MCB and MPB as parties to the Respondents’ Counterclaim in the arbitration initiated by Allianz General Insurance Company (Malaysia) Berhad (“AGI”) on 24 September 2018 as a subrogated action in the name of the Claimant in relation to an incident on or around 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 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 the Long Term Service Agreement between MPB and the 1st and 2nd Respondents dated 19 December 2000 (“LTSA”).

In the Joinder Application, the Respondents alleged that:

- a) The commencement of the arbitration constitutes a breach of the SRA;
- b) Under the SRA, MCB and MPB are liable to indemnify the Respondents against the arbitration;
- c) Under the LTSA, MPB is liable to indemnify the Respondents against the arbitration;
- d) MPB has breached its insurance obligations under the LTSA; and
- e) If the Respondents are found liable for the 2015 Incident, MPB is liable for contributory negligence as the operator of Prai Power Plant.

Following MCB’s and MPB’s submission against the Joinder Application, the Respondents had on 2 October 2019 withdrawn the Joinder Application with liberty to file afresh and commenced the amicable dispute resolution process under the SRA and LTSA with MCB and MPB.

The representatives of GE and MCB and MPB had a without prejudice meeting on 25 October 2019 whereby the parties agreed to refer the dispute to the parties’ higher management for further negotiation. After GE, MCB and MPB conducted and completed the dispute resolution process under the SRA and LTSA without any successful resolution of the dispute, GE refiled the application to join MCB and MPB as parties to GE’s Counterclaim.

On 20 June 2020, the Arbitral Tribunal decided in its discretion to grant the Joinder Application to join MCB and MPB as parties to the arbitration (“Third-Party Claim”). The Arbitral Tribunal did not find it necessary to decide on the merits of the claims at this juncture, which will instead be decided at the merits hearing of the SIAC Arbitration.

Subsequent to the above, the Respondents filed their Statement of Claim in the Third-Party Claim dated 7 September 2020 against MCB and MPB alleging:

- a) Breach of the SRA by both MCB and MPB, in that the Claimant's claim is extinguished by the SRA;
- b) That MCB and MPB are required to indemnify the Respondents against the Claimant's claim under the SRA and LTSA;
- c) Breach of insurance obligations by MPB under the LTSA, in allegedly failing to procure the required waiver of subrogation; and
- d) That MPB ought to be held liable for the 2015 Incident, in full or by way of contributory negligence, as the operator of the plant.

On 26 October 2020, MCB and MPB submitted their Statement of Defence in the Third-Party Claim, pleading inter alia the following defences:

- a) MCB's and MPB's obligation to indemnify under the SRA does not arise because the 2015 Incident is fundamentally different from the 2006 and 2009 Incidents. Further, any finding by the Arbitral Tribunal that the Claimant's claim is a breach of the SRA will result in the dismissal of the Claimant's claim, and thus there will be no indemnifiable loss incurred by the Respondents;
- b) MPB has no obligation to indemnify the 3rd and 4th Respondents under the LTSA as they are not parties to the LTSA. Further, the Claimant's claim, being a claim for negligence in inter alia design, does not arise out of the LTSA;
- c) MPB did not breach its insurance obligations under the LTSA, as MPB procured insurance which complied with the requirements of the LTSA; and
- d) MPB is not liable for contributory negligence in operating the Prai Power Plant, as MPB had fulfilled its operations and maintenance obligations.

On 30 November 2020, the Respondents submitted their Statement of Reply in the Third-Party Claim.

On 15 February 2021, parties to the Third-Party Claim exchanged lists of the documents on which each party intends to rely on in the arbitration.

On 15 March 2021, as part of the discovery process in the Third-Party Claim, parties to the Third-Party Claim exchanged their respective requests for the other party to disclose any additional documents or categories of documents which are relevant and material to the outcome of the Third-Party Claim.

On 24 May 2021, the Arbitral Tribunal decided on the parties' respective document requests, following the exchange of parties' submissions on 19 April 2021 and 17 May 2021.

On 21 June 2021, parties to the Third-Party Claim served on all other parties the documents ordered to be disclosed by the Arbitral Tribunal.

A further case management conference will be held between the Arbitral Tribunal and the parties' solicitors on a date to be scheduled.

- iv) *Asian International Arbitration Centre ("AIAC") Arbitration No. ADM-831-2020 between Tanjung Bin Energy Sdn. Bhd. ("Claimant") and Consortium HSL-TGE-GASB ("Respondent" or "Contractor"), comprising HSL Constructor Pte Ltd, HSL Constructor Sdn. Bhd., Tecgates Engineering (M) Sdn. Bhd. and Gema Antara Sdn. Bhd.*

Tanjung Bin Energy Sdn. Bhd. (“TBE”), a wholly-owned subsidiary of the Company, had on 12 March 2020, commenced arbitration against Consortium HSL-TGE-GASB (“Respondents” or “Contractor”), an unincorporated joint venture comprising (a) HSL Constructor Pte Ltd; (b) HSL Constructor Sdn. Bhd.; (c) Tecgates Engineering (M) Sdn. Bhd.; and (d) Gema Antara Sdn. Bhd. in relation to disputes arising from the Engineering, Procurement, Construction and Commissioning Contract dated 9 June 2017 (“EPCC Contract”) for the New Coal Unloading Jetty and Associated Bulk Material Handling System at 1x1000MW Coal Fired Power Plant at Tanjung Bin, Johor.

TBE had identified multiple breaches by the Contractor of its contractual duties under the EPCC Contract, including inter alia the following:

- a) The Contractor failed to complete all work which is stated in the EPCC Contract as required for the work to be considered as completed for the purposes of taking over under the EPCC Contract by 6 March 2019, the stipulated Time for Completion. Accordingly, the Contractor is obligated to pay to TBE the sum of RM36,335,779, being the delay damages (“Delay Damages”) under the EPCC Contract; and
- b) The Contractor failed to deliver to TBE a warranty bond of RM12,111,926, being 5% of the contract price, in accordance with the requirements under the EPCC Contract, following the issuance of the Taking Over Certificate dated 25 July 2019 by TBE (“Warranty Bond”).

TBE therefore seeks the following reliefs and remedies against the Contractor in the arbitration:

- a) A declaration that TBE is entitled to the full payment of RM36,335,779 as Delay Damages;
- b) An order that the Contractor pay the sum of RM7,900,568 (being Delay Damages of RM36,335,779 less remaining milestone claims of RM28,435,211);
- c) An order that the Contractor forthwith deliver the Warranty Bond;
- d) In the alternative for c) above, an order that the Contractor pay the amount required to be guaranteed by the Warranty Bond, i.e. RM12,111,926;
- e) Costs; and
- f) Such further or other relief(s) as the Arbitral Tribunal deems fit.

The Contractor submitted its Response to Notice of Arbitration on 10 April 2020, denying TBE’s claims and counterclaiming the milestone payments of RM28,435,211.

On 9 December 2020, AIAC issued its confirmation of the registration of the commencement of the arbitration.

On 21 April 2021, the parties’ solicitors have jointly confirmed to the AIAC the identities of TBE’s party-nominated arbitrator, the Contractor’s party-nominated arbitrator and the presiding arbitrator whose appointment was agreed by all parties. As required by the AIAC Arbitration Rules 2018, these nominations remain subject to the confirmation of the Director of the AIAC.

On 8 June 2021, the Director of the AIAC confirmed the constitution of the Arbitral Tribunal.

On 6 July 2021, a virtual preliminary meeting was held between the Arbitral Tribunal and the parties’ solicitors.

On 19 July 2021, the Arbitral Tribunal issued the Procedural Order No. 1 and Timetable (“Procedural Order”). Based on the Procedural Order, TBE shall serve its Statement of Case on the Contractor by 17 August 2021.

24. Dividend Payable

The Directors recommend the payment of an interim dividend of 3.10 sen per ordinary share in respect of the financial year ending 31 December 2021. The interim dividend will be paid on 20 October 2021 to shareholders registered on the Company’s Register of Members at the close of business on 20 September 2021.

In the corresponding quarter ended 30 June 2020, the Directors recommended the payment of an interim dividend of 2.80 sen per ordinary shares in respect of the financial year ended 31 December 2020. The interim dividend was paid on 16 October 2020.

25. Earnings per ordinary share

	3 months ended 30.6.2021	3 months ended 30.6.2020	Cumulative 6 months ended 30.6.2021	Cumulative 6 months ended 30.6.2020
Basic/Diluted Earnings per Ordinary Share				
Profit for the period attributable to owners of the Company (RM mil)	117.7	105.0	178.2	194.1
Weighted average number of ordinary shares (mil)	4,887.0	4,887.0	4,887.0	4,887.0
Basic/diluted earnings per ordinary share (sen)	2.41	2.15	3.65	3.97

26. Authorisation for issue

The interim financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 20 August 2021.

By Order of the Board
 Noor Raniz bin Mat Nor (MAICSA No.7061903)
 Cheryl Rinai Kalip (LS 0008258)
 Secretaries
 Kuala Lumpur
 20 August 2021