

YTL POWER INTERNATIONAL BERHAD

Company No. 406684-H

Incorporated in Malaysia

Interim Financial Report

30 June 2016

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YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial year ended 30 June 2016.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.6.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.6.2015 RM'000	12 MONTHS ENDED	
			30.6.2016 RM'000	30.6.2015 RM'000
Revenue	2,161,638	2,779,440	10,240,482	11,858,093
Cost of sales	(1,611,659)	(2,202,390)	(8,098,985)	(9,527,011)
Gross profit	549,979	577,050	2,141,497	2,331,082
Other operating income	16,364	81,291	282,185	152,057
Other operating expenses	(280,943)	(228,547)	(859,063)	(702,100)
Profit from operations	285,400	429,794	1,564,619	1,781,039
Finance costs	(201,482)	(239,548)	(894,700)	(821,439)
Share of profits of investments accounted for using the equity method	344,756	66,885	630,086	287,592
Profit before taxation	428,674	257,131	1,300,005	1,247,192
Taxation	45,539	(44,553)	(140,213)	(326,794)
Profit for the period/year	474,213	212,578	1,159,792	920,398
Attributable to:				
Owners of the parent	378,732	207,097	1,044,663	918,812
Non-controlling interests	95,481	5,481	115,129	1,586
	474,213	212,578	1,159,792	920,398
Earnings per share for profit attributable to owners of the parent				
Basic (sen)	4.91	2.94	13.83	13.20
Diluted (sen)	4.89	2.84	13.76	12.78

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)

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INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.6.2016 RM'000	PRECEDING	12 MONTHS ENDED	
		YEAR	30.6.2016	30.6.2015
		CORRESPONDING QUARTER	RM'000	RM'000
Profit for the period/year	474,213	212,578	1,159,792	920,398
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to income statement:</i>				
Re-measurement of post-employment benefit obligations	(76,417)	115,392	(189,702)	(103,885)
<i>Items that may be reclassified subsequently to income statement:</i>				
Available-for-sale financial assets	7,115	42,229	(4,574)	33,473
Cash flow hedges	325,822	148,063	57,020	(344,103)
Currency translation differences	89,211	641,143	228,982	957,755
Other comprehensive income for the period/year, net of tax	345,731	946,827	91,726	543,240
Total comprehensive income for the period/year	819,944	1,159,405	1,251,518	1,463,638
Attributable to:				
Owners of the parent	713,469	1,142,141	1,103,031	1,372,998
Non-controlling interests	106,475	17,264	148,487	90,640
	819,944	1,159,405	1,251,518	1,463,638

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	UNAUDITED	AUDITED
	As at	As at
	30.6.2016	30.6.2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,003,134	21,204,672
Land held for property development	379,739	-
Intangible assets	8,058,283	7,580,688
Investment accounted for using the equity method	2,119,011	1,807,837
Investments	271,359	276,418
Derivative financial instruments	29,865	41,278
Receivables, deposits and prepayments	366,829	299,199
	-----	-----
	31,228,220	31,210,092
	-----	-----
Current assets		
Inventories	438,416	440,418
Receivables, deposits and prepayments	1,716,909	2,294,049
Derivative financial instruments	64,547	84,903
Cash and bank balances	9,674,213	9,608,348
	-----	-----
	11,894,085	12,427,718
	-----	-----
TOTAL ASSETS	43,122,305	43,637,810
	=====	=====
EQUITY AND LIABILITIES		
Share capital	4,050,801	3,710,825
Reserves	9,155,843	8,394,166
Treasury shares, at cost	(711,306)	(711,304)
	-----	-----
Equity attributable to owners of the parent	12,495,338	11,393,687
Non-controlling interests	218,981	235,008
	-----	-----
TOTAL EQUITY	12,714,319	11,628,695
	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)

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INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued**

	UNAUDITED	AUDITED
	As at	As at
	30.6.2016	30.6.2015
	RM'000	RM'000
LIABILITIES		
Non-current liabilities		
Deferred taxation	1,827,005	2,105,425
Borrowings	23,836,436	23,417,355
Grants and contributions	427,848	413,485
Post-employment benefit obligations	874,490	743,365
Derivative financial instruments	117,265	133,296
Payables	793,674	672,912
	-----	-----
	27,876,718	27,485,838
	-----	-----
Current Liabilities		
Payables and accrued expenses	1,877,543	2,168,313
Derivative financial instruments	248,266	304,263
Post-employment benefit obligations	2,518	2,023
Taxation	125,299	138,263
Borrowings	277,642	1,910,415
	-----	-----
	2,531,268	4,523,277
	-----	-----
TOTAL LIABILITIES	30,407,986	32,009,115
	-----	-----
TOTAL EQUITY AND LIABILITIES	43,122,305	43,637,810
	=====	=====
Net assets per 50 sen share (RM) attributable to ordinary equity holders of the parent	1.62	1.62
	=====	=====

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

	Attributable to Owners of the Parent						Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Merger & Other Reserves	Treasury Shares	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2015	3,710,825	2,287,408	(1,892,193)	(711,304)	7,998,951	11,393,687	235,008	11,628,695
Profit for the financial year	-	-	-	-	1,044,663	1,044,663	115,129	1,159,792
Other comprehensive income for the financial year	-	-	248,070	-	(189,702)	58,368	33,358	91,726
Total comprehensive income for the financial year	-	-	248,070	-	854,961	1,103,031	148,487	1,251,518
Effects arising from changes in composition of the Group	-	-	-	-	(6,243)	(6,243)	(5,969)	(12,212)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(158,545)	(158,545)
Interim dividends paid for the financial year ended 30 June 2015	-	-	-	-	(771,722)	(771,722)	-	(771,722)
Issue of share capital	339,976	437,789	(1,178)	-	-	776,587	-	776,587
Share of option lapsed	-	-	(460)	-	460	-	-	-
Share repurchased	-	-	-	(2)	-	(2)	-	(2)
Warrants reserves	-	67,463	(67,463)	-	-	-	-	-
At 30 June 2016	4,050,801	2,792,660	(1,713,224)	(711,306)	8,076,407	12,495,338	218,981	12,714,319

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

	-----Attributable to Owners of the Parent-----					Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000			
At 1 July 2014	3,588,624	2,106,551	(2,432,876)	(711,301)	7,888,496	10,439,494	244,231	10,683,725
Profit for the financial year	-	-	-	-	918,812	918,812	1,586	920,398
Other comprehensive income for the financial year	-	-	558,071	-	(103,885)	454,186	89,054	543,240
Total comprehensive income for the financial year	-	-	558,071	-	814,927	1,372,998	90,640	1,463,638
Effects arising from changes in composition of the Group	-	-	-	-	(1,063)	(1,063)	13,978	12,915
Dividends paid to non-controlling interests	-	-	-	-	-	-	(113,841)	(113,841)
Interim dividends paid for the financial year ended 30 June 2014	-	-	-	-	(703,431)	(703,431)	-	(703,431)
Issue of share capital	122,201	156,417	-	-	-	278,618	-	278,618
Share option expenses	-	-	7,074	-	-	7,074	-	7,074
Share option lapsed	-	-	(22)	-	22	-	-	-
Share repurchased	-	-	-	(3)	-	(3)	-	(3)
Warrants reserves	-	24,440	(24,440)	-	-	-	-	-
At 30 June 2015	3,710,825	2,287,408	(1,892,193)	(711,304)	7,998,951	11,393,687	235,008	11,628,695

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

	12 MONTHS ENDED	
	30.6.2016	30.6.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit for the financial year	1,159,792	920,398
Adjustment for:		
Allowance for impairment of inventories	1,822	1,474
Allowance for impairment of property, plant and equipment	7	524
Amortisation of deferred income	(4,590)	(4,142)
Amortisation of grants and contributions	(16,692)	(10,042)
Amortisation of intangible assets	97,672	71,981
Depreciation of property, plant and equipment	1,242,576	1,379,364
Interest expense	894,700	821,439
Interest income	(71,025)	(26,126)
Net gain on disposal of property, plant and equipment	(7,797)	(26,690)
Provision for post-employment benefit	72,462	66,780
Provision for liabilities and charges	298	12,050
Share of profits of investments accounted for using the equity method	(630,086)	(287,592)
Taxation	140,213	326,794
Unrealised gain on foreign exchange	(26,171)	(11,321)
(Write back)/Allowance for impairment of receivables (net of reversals)	(74,866)	68,868
Other non-cash items	24,061	13,330
	-----	-----
	2,802,376	3,317,089
Changes in working capital:		
Inventories	14,675	51,737
Receivables, deposits and prepayments	630,352	69,573
Payables and accrued expenses	(163,771)	(261,296)
	-----	-----
Cash flows from operations	3,283,632	3,177,103
Interest paid	(786,666)	(740,127)
Payment for provision and liabilities	(9,288)	(5,010)
Payment to retirement benefit scheme	(107,060)	(99,251)
Tax paid	(269,098)	(450,853)
	-----	-----
Net cash flows from operating activities	2,111,520	1,881,862
	-----	-----

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)

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INTERIM FINANCIAL REPORT**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 - Continued**

	12 MONTHS ENDED	
	30.6.2016	30.6.2015
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of subsidiaries	(8,222)	(66,523)
Additional investments accounted for using the equity method	(3,097)	(13,674)
Dividends received	408,438	290,470
Grants received	69,591	41,900
Interest received	80,103	16,237
Purchase of intangible assets	(72,145)	(114,944)
Purchase of land held for property development	(431,103)	-
Purchase of property, plant and equipment	(1,632,500)	(1,569,799)
Proceeds from disposal of property, plant and equipment	253,287	80,436
	-----	-----
Net cash flows used in investing activities	(1,335,648)	(1,335,897)
	-----	-----
Cash flows from financing activities		
Dividends paid	(771,722)	(703,431)
Dividends paid to non-controlling interests	(158,545)	(113,841)
Proceeds from borrowings	1,778,981	2,855,235
Proceeds from issue of shares	776,587	278,618
Repayment of borrowings	(2,335,716)	(2,901,941)
Repurchase of own shares	(2)	(3)
	-----	-----
Net cash flows used in financing activities	(710,417)	(585,363)
	-----	-----
Net changes in cash and cash equivalents	65,455	(39,398)
Effects of exchange rate changes	85,520	671,713
Cash and cash equivalents at beginning of the financial year	9,523,238	8,890,923
	-----	-----
Cash and cash equivalents at end of the financial year <i>[Note a]</i>	9,674,213	9,523,238
	=====	=====

[Note a]

Cash and cash equivalents at the end of the financial year comprise:

	RM'000	RM'000
Fixed deposits	9,277,809	9,358,025
Cash and bank balances	396,404	250,323
Bank overdrafts	-	(85,110)
(included within short term borrowings in [Note B9])		
	-----	-----
	9,674,213	9,523,238
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2015.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” and Chapter 9, part K paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computations adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2015 except for:

Land held for property development

Land held for property development is stated at cost comprises cost of land and all related costs incurred on activities necessary to prepare the land for its intended use.

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land classified as non-current assets and is stated at cost less accumulated impairment losses, if any.

Land held for property development is reclassified as property development costs at the point when the development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

There is no new MFRSs or amendments to MFRSs which were effective for financial year beginning on or after 1 July 2015.

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2015.

A2. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factor.

A3. Unusual Items

For the current financial year to date, there was no item of an unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A4. Changes in Estimates of Amounts Reported

There was no significant change to estimate of amount reported in prior interim periods or prior financial years.

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INTERIM FINANCIAL REPORT

Notes – continued

A5. Changes in Debt and Equity Securities

During the current financial quarter and financial year to date, the Company issued 27,203 and 674,630,880 ordinary shares of RM0.50 each respectively pursuant to the exercise of Warrants 2008/2018 at a weighted average exercise price of RM1.14 per share.

The number of ordinary shares of RM0.50 each issued during the current financial year to date pursuant to the exercise of employees' share options granted under the Company's Employees Share Option Scheme was 5,321,000 at a weighted average exercise price of RM1.41 per share. There was no share issued pursuant to the exercise of employees' share options granted under the Company's Employees Share Option Scheme during the current financial quarter.

A total of 1,100 ordinary shares of RM0.50 each were repurchased from the open market for a total consideration of RM1,702 for the current financial year to date. There was no share buyback for the current financial quarter. The share buyback transactions were financed by internally generated funds. The shares purchased are held as treasury shares. As at 30 June 2016, the number of treasury shares held was 384,265,679 ordinary shares of RM0.50 each.

The outstanding debts are as disclosed in Note B9.

A6. Dividends Paid

The following dividend payment was made during the financial year ended 30 June 2016:

	<u>RM'000</u>
In respect of the financial year ended 30 June 2015:	
An interim single tier dividend of 20% or 10 sen per ordinary share of 50 sen each paid on 23 October 2015	<u>771,722</u>

A7. Segment Information

The Group has five reportable segments as described below:

- a) Power generation (Contracted)
- b) Multi utilities business (Merchant)
- c) Water and sewerage
- d) Mobile broadband network
- e) Investment holding activities

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

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INTERIM FINANCIAL REPORT**Notes – continued**

Segment information for the financial year ended 30 June 2016:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
External Revenue	290,116	5,686,818	3,346,119	702,075	215,354	10,240,482
Inter-segment Revenue	-	-	-	1,523	94,640	96,163
Segment profit/(loss) before tax	163,986	93,664	963,692	(283,424)	362,087	1,300,005

Segment information for the financial year ended 30 June 2015:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
External Revenue	1,071,396	6,880,924	3,043,780	693,295	168,698	11,858,093
Inter-segment Revenue	-	-	-	1,125	97,346	98,471
Segment profit/(loss) before tax	189,769	304,856	925,099	(239,426)	66,894	1,247,192

A8. Events After the Interim Period

There was no item, transaction or event of a material or unusual nature during the period from the end of the quarter under review to the date of this report.

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Notes – continued

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year ended 30 June 2016, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinuing operations save for the following:

- (i) On 8 July 2015, YTL Property Holdings (UK) Limited (“YTLPUK”) was incorporated in England and Wales as a wholly-owned subsidiary of YTL Utilities (UK) Limited (an indirect wholly-owned subsidiary of the Company). As a result, YTLPUK became an indirect wholly-owned subsidiary of the Company.

YTLPUK was incorporated with an issued share capital of GBP1 comprising 1 ordinary share of the nominal value of GBP1. YTLPUK is intended to be principally involved in investing in development land in UK.

- (ii) YTL Jordan Services Holdings Limited (“YTLJSH”) and YTL Jordan Power Holdings Limited (“YTLJPH”) were incorporated in the Republic of Cyprus on 10 July 2015 and 13 July 2015, respectively as wholly-owned subsidiaries of the Company, each with an authorised share capital of EUR5,000 divided into 5,000 shares of EUR1.00 each, and issued share capital of EUR1,000 comprising 1,000 ordinary shares of EUR1.00 each.

YTLJSH and YTLJPH will be principally involved in investment holding.

- (iii) On 15 July 2015, YTL Jawa Energy B.V. (“YTLJE”), an indirect wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement with the sellers (“Sellers”) listed below, for the acquisition of a total of 2,000,000 ordinary shares of the nominal value of USD1 each in the capital of P.T. Tanjung Jati Power Company (“TJPC”), representing 80% of the issued and paid-up share capital of TJPC, for an aggregate consideration of USD2,000,000.00 in cash:

<u>Name of Sellers</u>	<u>Number of ordinary shares</u>
P.T. Bakrie Power	750,000
TJA Power Corporation Asia (Ltd)	1,250,000
TOTAL	<u>2,000,000</u>

The acquisition was completed on 20 August 2015. Consequent thereto, TJPC became a subsidiary of YTLJE and an indirect subsidiary of the Company.

- (iv) On 7 October 2015, the Company acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of YTL Power Holdings (Indonesia) Sdn. Bhd. (“YTLPHI”) at par value per share. As a result, YTLPHI became a wholly-owned subsidiary of the Company.

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YTLPHI was incorporated on 29 September 2015 with an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each. YTLPHI will be principally involved in investment holding.

- (v) On 4 December 2015, YTL Jawa O & M Holdings Limited (a wholly-owned subsidiary of the Company) disposed all its shares in Attarat Operation and Maintenance Company B.V. (“OMCO”) comprising 75 ordinary shares with a nominal value of USD1.00 each and representing 75% of the issued and paid-up share capital of OMCO, to YTLJSH (also a wholly-owned subsidiary of the Company) for USD75 (“Re-organisation”).

As a result of the Re-organisation, OMCO became a direct subsidiary of YTLJSH and remain an indirect subsidiary of the Company.

OMCO was incorporated on 4 December 2014 in the Netherlands with an issued share capital USD100 comprising 100 shares with a nominal value of USD1.00 each. OMCO will be principally involved in operating and maintaining power plants.

- (vi) On 23 December 2015, Frog Education Limited (an indirect subsidiary of the Company) (“FrogEd UK”) acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Frog Education Sdn. Bhd. (“FrogEd MY”) at par value per share. As a result, FrogEd MY became a wholly-owned subsidiary of FrogEd UK and indirect subsidiary of the Company.

FrogEd MY was incorporated on 18 December 2015 with an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. FrogEd MY will be principally involved in the business of providing internet services, including the development and provision of education learning platforms.

- (vii) On 19 February 2016, YTL Utilities (UK) Limited (“YTLUK”) (an indirect wholly-owned subsidiary of the Company) acquired 1 ordinary share of GBP1, representing the entire issued and paid-up of YTL Land and Property (UK) Ltd (“YTL Land & Property”) for GBP1.

In turn, YTL Land & Property had on 20 February 2016, acquired 1 ordinary share of GBP1, representing the entire issued and paid-up of YTL Homes Ltd (“YTL Homes”) for GBP1.

As a result of the acquisitions, YTL Land & Property and YTL Homes became indirect wholly-owned subsidiaries of the Company.

YTL Land & Property and YTL Homes were incorporated on 19 February 2016 and 20 February 2016, respectively in England & Wales. Both YTL Land & Property and YTL Homes are intended to be principally involved in investment holding and property development.

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Notes – continued

- (viii) On 22 March 2016, I Education Limited (“I-Ed”), an indirect subsidiary of the Company, was dissolved following its deregistration under Section 1003 of the Companies Act 2006 of the United Kingdom (“Dissolution”). As a result of the Dissolution, I-Ed ceased to be a subsidiary of the Company.

I-Ed was incorporated in England and Wales on 12 March 2007. It ceased trading on 23 April 2015.

- (ix) On 1 April 2016, the Company acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of YTL Jordan Services Sdn. Bhd. (“YTL Jordan Services”) at par value per share. As a result, YTL Jordan Services became a wholly-owned subsidiary of the Company.

YTL Jordan Services was incorporated on 29 March 2016 and presently has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each. YTL Jordan Services will be principally involved in the provision of technical services for oil shale mining and power plant operation & maintenance.

A10. Changes in Contingent Liabilities

There were no material changes in the contingent liabilities of the Group since the last financial year ended 30 June 2015.

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INTERIM FINANCIAL REPORT**Notes – continued****A11. Fair value measurement**

The Group measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

- a) Level 1 – quoted price (unadjusted) in active market for identical assets or liabilities;
- b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- c) Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30.6.2016				
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	-	12,527	-	12,527
Available-for-sale	51,617	4,752	214,990	271,359
Derivatives used for hedging	-	81,885	-	81,885
Total assets	51,617	99,164	214,990	365,771
Liabilities				
Financial liabilities at fair value through profit or loss:				
- Trading derivatives	-	14,119	-	14,119
Derivatives used for hedging	-	351,412	-	351,412
Total liabilities	-	365,531	-	365,531

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YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)

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INTERIM FINANCIAL REPORT**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****B1. Review of the Results**

The comparison of the results is tabulated below:

	Individual Quarter		Cumulative Quarter	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue				
Power generation (Contracted)	-	274,897	290,116	1,071,396
Multi utilities business (Merchant)	1,133,192	1,500,316	5,686,818	6,880,924
Water & sewerage	788,527	768,449	3,346,119	3,043,780
Mobile broadband network	190,553	188,753	702,075	693,295
Investment holding activities	49,366	47,025	215,354	168,698
	<u>2,161,638</u>	<u>2,779,440</u>	<u>10,240,482</u>	<u>11,858,093</u>
Profit/(Loss) before taxation				
Power generation (Contracted)	(13,661)	4,062	163,986	189,769
Multi utilities business (Merchant)	7,744	52,908	93,664	304,856
Water & sewerage	251,804	259,735	963,692	925,099
Mobile broadband network	(109,384)	(54,657)	(283,424)	(239,426)
Investment holding activities	292,171	(4,917)	362,087	66,894
	<u>428,674</u>	<u>257,131</u>	<u>1,300,005</u>	<u>1,247,192</u>

a) Current Quarter vs Preceding Year Corresponding Quarter

The Group recorded a revenue of RM2,161.6 million for the current financial quarter ended 30 June 2016 as compared to RM2,779.4 million recorded in the preceding year corresponding quarter ended 30 June 2015. The Group profit before taxation for the current financial quarter was RM428.7 million, an increase of RM171.6 million or 66.7% as compared to a profit of RM257.1 million recorded in the preceding year corresponding quarter. The higher profit before taxation was principally attributable to the higher share of results of associate in Indonesia, arising from an increase in deferred tax credit on revaluation of Power Plant assets for tax purposes.

Performance of the respective operating business segments for the quarter ended 30 June 2016 as compared to the preceding year corresponding quarter is analysed as follows:

Power generation (Contracted)

There was no revenue recorded in current quarter as the power purchase agreement expired on 30 September 2015.

Multi utilities business (Merchant)

The excess generation capacity in the electricity market of Singapore coupled with lower vesting volumes has resulted in lower revenue and profit before tax.

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Notes – continued

Water & sewerage

The increase in revenue was mainly due to the weakening of Ringgit Malaysia against Great Britain Pound.

Mobile broadband network

The continuous growth in the subscriber base has resulted in an increase in revenue. With the successful launching of its 4G LTE services for mobile devices at the end of the current quarter, this segment is expected to continuously grow its subscriber base to generate higher revenue, albeit higher operating costs registered in the current quarter.

Investment holding activities

The higher profit before taxation was mainly attributable to higher share of results of associate arising from increase in deferred tax credit.

b) Current Year to date vs Preceding Year to date

Group revenue was RM10,240.5 million for the current financial year ended 30 June 2016 as compared to RM11,858.1 million recorded in the preceding financial year ended 30 June 2015. The Group profit before taxation for the current financial year was RM1,300.0 million, an increase of RM52.8 million or 4.2% as compared to a profit of RM1,247.2 million recorded in the preceding year.

Performance of the respective operating business segments for the year ended 30 June 2016 as compared to the preceding year was consistent with the notes mentioned in (a) above with the exception of the business segments mentioned below:

Power generation (Contracted)

The significant drop in revenue and profit before taxation was due to the absence of revenue for the last three quarters as a result of the expiry of the power purchase agreement on 30 September 2015 and was partially offset by the recovery of impairment of receivables before tax and interest income arising from an arbitration award.

Water & sewerage

The increase in revenue and profit before taxation was mainly due the weakening of Ringgit Malaysia against Great Britain Pound registered in the current year.

Investment holding activities

The increase in revenue and profit before taxation was principally due to increase in share of profits of associates and higher interest income in the current financial year.

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Notes – continued

B2. Comparison with Preceding Quarter

	Current Quarter 30.6.2016 RM'000	Preceding Quarter 31.3.2016 RM'000
Revenue	2,161,638	2,240,912
Consolidated profit before taxation	428,674	217,941
Consolidated profit after taxation	474,213	202,520

The increase in Group profit before taxation was primarily attributable to higher share of results of associates. The higher profit after taxation was contributed by a deferred tax credit recorded under the Wessex Water group following the reduction in current UK corporation tax rate of 20% to 19%, effective from 1 April 2017, and to 18% effective from 1 April 2020.

B3. Prospects

Power generation (Contracted)

The power purchase agreement expired on 30 September 2015. On 5 August 2015, the Malaysian Energy Commission (Energy Commission) awarded the project for the supply of 585MW of capacity from the existing facility in Paka for the period 1 March 2016 to 30 December 2018 to a subsidiary under the short term capacity bid called by the Energy Commission. The Power Purchase Agreement with Tenaga Nasional Berhad (TNB) has yet to be signed as TNB included a condition for a new land lease to be entered into for the term of the new Power Purchase Agreement. The Energy Commission subsequently issued a directive (Directive) to TNB under the Electricity Supply Act 1990 to remove this condition as the existing land lease for Paka will only expire on 30 December 2018. On 4 July 2016, TNB applied to the High Court for leave to commence proceedings for a judicial review to, inter alia, quash the Directive. The proceedings are pending before the High Court.

The Group has an 80% equity interest in P.T. Tanjung Jati Power Company (TJPC), an independent power producer which is undertaking the development of Tanjung Jati A, a 2 x 660 megawatt coal-fired power project in Java, Indonesia. TJPC has a 30-year power purchase agreement with PT PLN (Pesero), Indonesia's state-owned electric utility company, entered into in December 2015. The project is currently in the development stage and progress is underway towards achieving financial close.

The Group also has a 45% equity interest in Attarat Power Company (APCO), which is developing a 554 megawatt oil shale fired power generation project in the Hashemite Kingdom of Jordan. APCO has signed a 30-year power purchase agreement with the National Electric Power Company (NEPCO), the Jordan state-owned utility, for the entire electrical capacity and energy of the power plant, with an option for NEPCO to extend the power purchase agreement to 40 years. The project is currently in the development stage and progress is underway towards achieving financial close.

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Notes – continued

Multi utilities business (Merchant)

Despite the current challenges in Singapore's market, this segment will continue to focus on customer service, diversification beyond the core business into integrated multi-utilities supply and non-regulated ancillary businesses in steam sales, oil storage tank leasing and bunkering services.

Water & sewerage

Wessex Water which operates under a strict regulatory regime is confident of delivering its 2015-20 regulatory outperformance target by restructuring its business objectives and will continue to provide customers with first-class affordable service.

Mobile broadband network

This segment has successfully launched its Yes 4G LTE services for mobile devices and becoming Malaysia's first voice over LTE (VoLTE) service provider. This business segment will continuously be coming up with more competitive products to increase the subscriber base to generate higher revenue.

B4. Variance of Actual Profit from Financial Estimate, Forecast, Projection or Profit Guarantee

The Group did not issue any financial estimate, forecast, projection or profit guarantee during the current financial year to date.

B5. Audit Report of the preceding financial year ended 30 June 2015

The Auditors' Report on the financial statements of the financial year ended 30 June 2015 did not contain any qualification.

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Notes – continued

B6. Profit for the period/year

	Current Quarter 30.6.2016 RM'000	Current Year To Date 30.6.2016 RM'000
Profit before taxation is stated after charging/(crediting):		
Allowance for impairment of inventories	295	1,822
Allowance for impairment of property, plant and equipment	7	7
Allowance for/(Write back of) impairment of receivables (net of reversal)	7,781	(74,866)
Amortisation of deferred income	(4,590)	(4,590)
Amortisation of grants and contributions	(655)	(16,692)
Amortisation of intangible assets	27,750	97,672
Depreciation of property, plant and equipment	266,641	1,242,576
Interest income	(8,513)	(71,025)
Interest expense	201,482	894,700
Loss/(Gain) on foreign exchange	691	(18,414)
Net gain on disposal of property, plant and equipment	(448)	(7,797)
(Write back of)/Provision for liabilities and charges	(131)	298
	=====	=====

There was no exceptional items charged/(credited) for the period/year.

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INTERIM FINANCIAL REPORT**Notes – continued****B7. Taxation**

	Current Quarter 30.6.2016 RM'000	Current Year To Date 30.6.2016 RM'000
In respect of current period/year		
- Income Tax	26,123	269,779
- Deferred Tax	(71,662)	(129,566)
	-----	-----
	(45,539)	140,213
	=====	=====

The lower effective tax rate of the Group as compared to Malaysian statutory income tax rate was mainly due to recognition of deferred tax credit arising from reduction in UK corporation tax rate of 20% to 19%, effective from 1 April 2017, and to 18% effective from 1 April 2020.

B8. Corporate Proposals

There were no corporate proposals announced by the Company which are not completed as at the date of this report save for the following:

- (i) On 6 May 2016, YTL Jordan Services Holdings Limited (“YTLJSH”), a wholly-owned subsidiary of the Company incorporated in Cyprus, entered into a conditional share purchase agreement for the disposal of 30 ordinary shares of USD1 each, representing 30% of the issued share capital of OMCO to Yudean International Development Limited (“Yudean”) (or a party nominated by Yudean to be the transferee) for a consideration of USD30 subject to the terms and conditions of the agreement.

The disposal is to facilitate the introduction of Yudean as a strategic investor that will jointly undertake the greenfield oil shale-fired mine mouth power project at Attarat um Ghudran in the Hashemite Kingdom of Jordan.

Upon completion of the disposal, OMCO will cease to be a subsidiary and become an associated company of YTLJSH and YTL Power as YTLJSH will hold a balance of 45 ordinary shares of USD1 each, representing 45% of the issued share capital of OMCO.

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INTERIM FINANCIAL REPORT**Notes – continued****B9. Group Borrowings and Debt Securities**

The Group's borrowings from financial institutions as at 30 June 2016 are as follows:

	Short term		Long term		Total RM'000
	Bonds RM'000	Borrowings RM'000	Bonds RM'000	Borrowings RM'000	
Secured	-	99,662	-	6,709,419	6,809,081
Unsecured	-	177,980	13,240,958	3,886,059	17,304,997
Total	-	277,642	13,240,958	10,595,478	24,114,078

The borrowings which are denominated in foreign currency are as follows:

In US Dollar ('000)	400,000
In Sterling Pound ('000)	2,000,418
In Singapore Dollar ('000)	2,257,787

All borrowings of subsidiaries are on a non-recourse basis to the Company.

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INTERIM FINANCIAL REPORT

Notes – continued

B10. Derivative Financial Instruments, Fair Value Changes of Financial Liabilities and Realised and Unrealised Profits or Losses

a) Derivative Financial Instruments

As at 30 June 2016, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<u>Fuel oil Swaps</u>		
- Less than 1 year	1,086,962	900,359
- 1 year to 3 years	393,245	298,293
- More than 3 years	1,708	1,859
<u>Currency forwards</u>		
- Less than 1 year	1,140,465	1,143,349
- 1 year to 3 years	495,351	502,926
- More than 3 years	2,185	2,011

The Group entered into fuel oil swaps to hedge highly probable forecast physical fuel oil and natural gas purchases that are expected to occur at various dates in the future. The fuel oil swaps have maturity dates that match the expected occurrence of these transactions.

The Group entered into currency forwards to hedge highly probable forecast transactions denominated in foreign currency expected to occur in the future. The currency forwards have maturity dates that match the expected occurrence of these transactions.

All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.

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INTERIM FINANCIAL REPORT**Notes – continued**

(b) Fair Value Changes of Financial Liabilities

The gains arising from fair value changes of financial liabilities for the current financial year ended 30 June 2016 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gain	Fair value gain	
			Current quarter 30.6.2016 RM'000	Current year to date 30.6.2016 RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour of the Group	1,847	1,509
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved in favour of the Group	7,505	14,680
Total			9,352	16,189

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INTERIM FINANCIAL REPORT**Notes – continued**

(c) Realised and Unrealised Profits or Losses

	As at 30.6.2016 RM'000	Audited As at 30.6.2015 RM'000
Retained earnings/(Accumulated losses) of the Group:		
- Realised	6,999,708	7,305,489
- Unrealised	(281,736)	(407,146)
	-----	-----
	6,717,972	6,898,343
	-----	-----
Retained earnings/(Accumulated losses) from investments accounted for using the equity method:		
- Realised	945,566	1,031,525
- Unrealised	62,897	(238,467)
	-----	-----
	1,008,463	793,058
	-----	-----
Add: Consolidation adjustments	349,972	307,550
	-----	-----
Total Group retained earnings	8,076,407	7,998,951
	=====	=====

B11. Material Litigation

Save for the following, there were no changes to the material litigations since the date of the last audited financial statements of financial position:

- (a) A Notice of Arbitration was issued on 31 March 2014 by a subsidiary of the Group against a gas supplier for recovery of sums over-invoiced by the gas supplier under the Agreement for the Sale and Purchase of Dry Gas dated 15 March 1993.

On 16 July 2015, an award was issued in favour of the subsidiary for recovery of the amount in dispute. The matter has been fully settled.

- (b) A foreign subsidiary of the Group has commenced proceedings in court against two customers to recover monies due to the subsidiary under contract, following their termination of the electricity retail contracts. The customers have filed their defence and counterclaim, and the matter is now awaiting trial.

Based on the legal advice sought by the board, the subsidiary has strong prospects of succeeding in their claim and the customers are highly unlikely to succeed in their counter claim. Thus, no provision has been made for potential losses that may arise from the counterclaims.

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INTERIM FINANCIAL REPORT

Notes – continued

B12. Dividend

The Board of Directors (“Board”) is pleased to declare an interim single tier dividend of 20% or 10 sen per ordinary share of 50 sen each for the financial year ended 30 June 2016.

The book closure and payment dates in respect of the aforesaid dividend are 31 October 2016 and 15 November 2016, respectively.

The Board does not recommend a final dividend for the financial year ended 30 June 2016 (2015: nil).

B13. Earnings Per Share

i) Basic Earnings Per 50 sen Share

The basic earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 30.6.2016	Preceding Year Corresponding Quarter 30.6.2015
Profit attributable to Owners of the Parent (RM'000)	378,732 =====	207,097 =====
Weighted average number of ordinary shares ('000)	7,717,328 =====	7,035,322 =====
Basic earnings per share (Sen)	4.91 =====	2.94 =====

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INTERIM FINANCIAL REPORT**Notes – continued****ii) Diluted Earnings Per 50 sen Share**

The diluted earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 30.6.2016	Preceding Year Corresponding Quarter 30.6.2015
Profit attributable to Owners of the Parent (RM'000)	378,732 =====	207,097 =====
<i>Weighted average number of ordinary shares – diluted ('000)</i>		
Weighted average number of ordinary shares – basic	7,717,328	7,035,322
Effect of unexercised Warrants 2008/2018	34,535	235,527
Effect of unexercised ESOS	-	8,802
	----- 7,751,863 =====	----- 7,279,651 =====
Diluted earnings per share (Sen)	4.89 =====	2.84 =====

* Total cash expected to be received in the event of an exercise of all outstanding warrants and ESOS is RM357.6 million. Accordingly, the Net Asset (NA) on a pro forma basis will increase by RM357.6 million resulting in a decrease in NA per share of RM0.01. In arriving at the Diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.

By Order of the Board

HO SAY KENG

Secretary

Kuala Lumpur

Dated: 25 August 2016