MMC CORPORATION BERHAD

CORPORATE PROFILE

MMC CORPORATION BERHAD (MMC) IS A **LEADING UTILITIES AND INFRASTRUCTURE GROUP WITH DIVERSIFIED BUSINESSES** UNDER THREE DIVISIONS, NAMELY PORTS AND LOGISTICS, ENERGY AND UTILITIES AND ENGINEERING.

Its key businesses under the Ports and Logistics division include the operations of Pelabuhan Tanjung Pelepas Sdn Bhd, Johor Port Berhad, Northport (Malaysia) Bhd, Penang Port Sdn Bhd, Tanjung Bruas Port Sdn Bhd, JP Logistics Sdn Bhd and Kontena Nasional Berhad. Internationally, MMC has presence in Saudi Arabia via Red Sea Gateway Terminal Company Limited, a container port terminal within the Jeddah Islamic Port.

Under the Energy and Utilities division, MMC is the single largest shareholder of both Malakoff Corporation Berhad and Gas Malaysia Berhad.

MMC's Engineering division has further established itself in the sector with a leading role as the Project Delivery Partner (PDP) and underground works package contractor for the 51 km Klang Valley Mass Rapid Transit (KVMRT) Sungai Buloh-Kajang project (SBK Line) and Sungai Buloh-Serdang-Putrajaya project (SSP Line). Prior to this, MMC has successfully completed the 329 km Ipoh-Padang Besar Electrified Double Tracking Project as well as the innovative Stormwater Management and Road Tunnel (SMART) motorway, the first-of-its-kind, dual-purpose tunnel in the world.

MMC continues to make inroads in the industry, securing key civil and infrastructure projects in the country namely Langat Centralised Sewerage Treatment Plant, Langat 2 Water Treatment Plant and Refinery and Petrochemical Integrated Development (RAPID) Pengerang Cogeneration Plant. MMC also has a 20% effective interest in Borneo Highway PDP Sdn Bhd (BHP), the appointed project delivery partner for the Pan Borneo Highway Project in Sabah.

In other businesses, MMC wholly-owns Aliran Ihsan Resources Berhad, a water treatment plant operator and Senai Airport Terminal Services Sdn Bhd, the operator of Senai International Airport in Johor Bahru - a major aviation hub and the main air transportation gateway to Iskandar Malaysia. The Group Property arm of MMC manages close to 6,000 acres of industrial developments in Iskandar Malaysia, Johor and Kulim, Kedah, namely Senai Airport City, Tanjung Bin Petrochemical & Maritime Industrial Centre (TBPMIC) and Northern Technocity (NTC). The Senai Airport City, TBPMIC and NTC developments come under the ambit of the Group Property's three operating companies – Senai Airport City Sdn Bhd, Seaport Worldwide Sdn Bhd and Northern Technocity Sdn Bhd respectively.

VISION

TO BE A PREMIER UTILITIES AND INFRASTRUCTURE GROUP

MISSION

EXCELLENCE IN OUR CORE BUSINESS SEGMENTS

CORPORATE STRUCTURE

MMC CORPORATION BERHAD IS A LEADING UTILITIES AND INFRASTRUCTURE GROUP WITH DIVERSIFIED BUSINESSES UNDER THREE DIVISIONS NAMELY PORTS AND LOGISTICS, ENERGY AND UTILITIES AND ENGINEERING.

PORTS & LOGISTICS

PELABUHAN TANJUNG PELEPAS SDN BHD
Transhipment port operator
70% shareholdings

JOHOR PORT BERHAD
Multi-purpose port operator

NORTHPORT (MALAYSIA) BHD
Multi-purpose port operator
99.09% shareholdings

PENANG PORT SDN BHD
Main gateway for shippers in the northern states of Malaysia and also the southern provinces of Thailand
49% shareholdings

TANJUNG BRUAS PORT SDN BHD
(formerly known as KMB Seaport Sdn Bhd)
70% shareholdings

RED SEA GATEWAY TERMINAL
Container terminal at Jeddah Islamic Port
20% shareholdings

JP LOGISTICS SDN BHD
Integrated logistics company

KONTENA NASIONAL BERHAD
Integrated logistics company
99.09% shareholdings

KTMB MMC CARGO SDN BHD
Rail cargo operator
49% shareholdings

SENAI AIRPORT TERMINAL SERVICES SDN BHD
Airport operator
for Senai International Airport

ENERGY & UTILITIES

MALAKOFF CORPORATION BERHAD
Independent water and power producer company
37.6% shareholdings

GAS MALAYSIA BERHAD
Natural gas distribution company
30.9% shareholdings

ALIRAN IHSAN RESOURCES BERHAD
Water treatment specialist

INDUSTRIAL PROPERTY

MMC LAND SDN BHD
Investment arms for the Group's industrial property development

SENAI AIRPORT CITY SDN BHD
Industrial property developer with land bank in Senai, Johor

SEAPORT WORLDWIDE SDN BHD
Tanjung Bin Petrochemical & Maritime Industrial Centre

Industrial Property Developer

NORTHERN TECHNOCITY SDN BHD

Industrial property developer with land bank in Kulim, Kedah

ENGINEERING

MMC ENGINEERING SERVICES SDN BHD
Main contractor for Pengerang Co-generation Plant (PCP) project

Main contractor for Langat 2 Water Treatment Plant project

MMC PEMBETUNGAN LANGAT SDN BHD
Main contractor for Langat Centralised Sewage Treatment Plant and Sewerage Convenyance System project

MMC GAMUDA KVMRT (PDP) SDN BHD
MMC GAMUDA KVMRT (PDP SSP) SDN BHD
MMC GAMUDA KVMRT (T) SDN BHD
Project delivery partner for Klang Valley Mass Rapid Transit (KVMRT) project for Line 1 & Line 2

Main contractor for underground package of KVMRT project
50% shareholdings

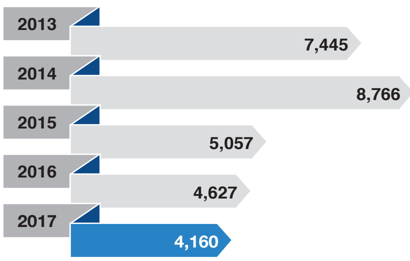
STORMWATER MANAGEMENT AND ROAD TUNNEL (SMART)
Operator for dual purpose tunnel, storm drainage and road
50% shareholdings

UEM MMC JOINT VENTURE SDN BHD
A project delivery partner for Pan Borneo Highway Sabah project
50% shareholdings

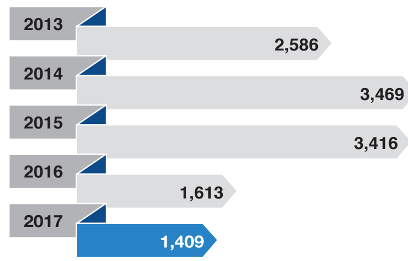
* Unless otherwise stated, all other subsidiaries are wholly-owned subsidiary of MMC Group.

PERFORMANCE AT A GLANCE

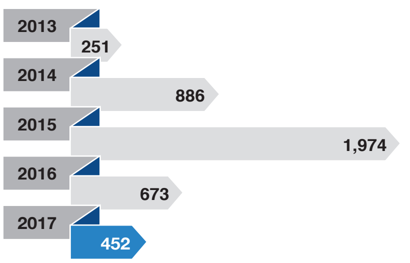
REVENUE (RM million)



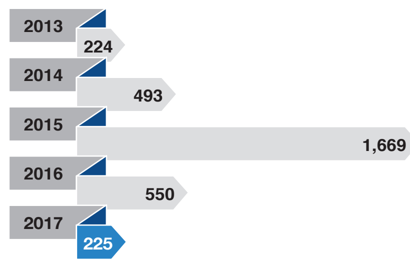
EBITDA (RM million)



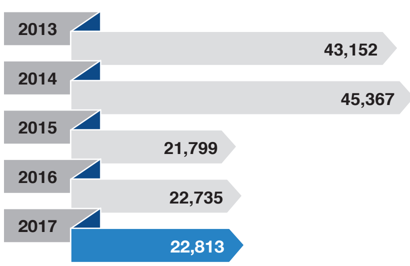
PROFIT BEFORE ZAKAT AND TAXATION (RM million)



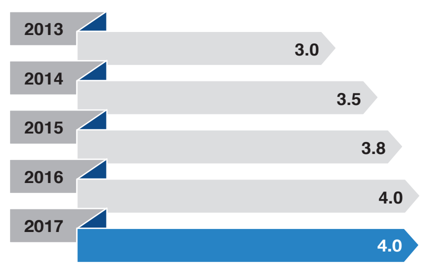
PROFIT AFTER TAX AND MINORITY INTERESTS (RM million)



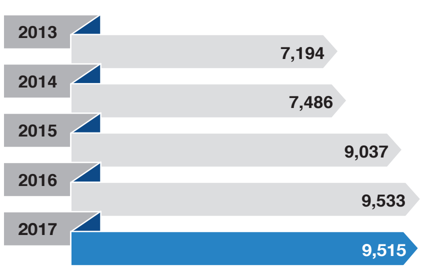
GROSS ASSETS (RM million)



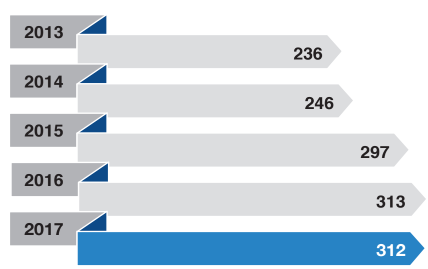
DIVIDEND PER SHARE (sen)



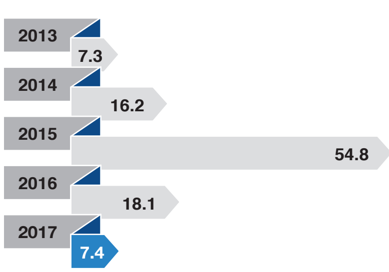
SHAREHOLDERS' FUNDS (RM million)



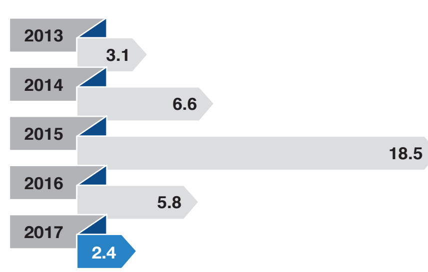
NET ASSETS PER SHARE (sen)



EARNINGS PER SHARE (sen)



RETURN ON EQUITY (%)



WITH MULTIPLE BUSINESSES OPERATING IN STRATEGIC INDUSTRIES, MMC CONTINUED TO PLAY A VITAL ROLE IN DRIVING TRADE AND ECONOMIC PROGRESS AS WELL AS MAJOR INFRASTRUCTURE DEVELOPMENTS IN MALAYSIA.

We employed best practices at our ports to help shippers move cargo seamlessly and efficiently across the globe, beating to the pulse of domestic and international trade, and forged a strong track record in infrastructure development through our active participation in major nation-building initiatives.

Three key engines continued to throb at the heart of the Group, namely Ports and Logistics, Energy and Utilities, as well as Engineering as we further strengthened our position with steady earnings and capacity expansion to edge closer towards our goal to be a premier utilities and infrastructure group.

In financial year 2017, we delivered a steady revenue of more than RM 4.0 billion, with our performance partly influenced by factors that were beyond our control such as industry transformation and the cyclical nature of markets.

The shift in global shipping alliances that effectively led to changes in trade routes was one such uncontrollable event. Nevertheless, we remained strong on the domestic front as a major gateway for local cargo with a network of five seaports throughout the Western coast of Peninsular Malaysia, along with the addition of high-performing Penang Port in 2017.

As a result, Ports and Logistics division delivered stronger performance in terms of both revenue and profit. During the year, our ports handled a total of 13.75 million Twenty-foot Equivalent Units (TEUs) container volume with transhipment throughput totaling 9.27 million TEUs whilst we set a new record for our local cargo handling of 4.48 million TEUs. In addition, we handled 36.5 million Freight Weight Tonnes (FWT) of conventional volumes.

PORTS HANDLED
A TOTAL OF
13.75
MILLION TEUs
TWENTY-FOOT EQUIVALENT UNIT (TEUs) CONTAINER

The stellar performance by Penang Port and Tanjung Bruas Port Sdn Bhd (Tanjung Bruas Port) has become a testament of the success of our strategy to expand via acquisitions and on the right track to further enhance our dominant position in the port industry.

Continuous expansion and upgrades at our ports also paid off as we were able to extend our services to cater to larger vessels, and I am pleased to say that this effort is still on-going.

We remained on track with our efforts to turnaround Kontena Nasional Berhad (KNB) after acquiring the company in 2015. Freight forwarding and warehousing emerged stronger to counter the challenging year for the road haulage business. Despite the challenging environment during the year, we were able to improve the haulage company's revenue and, in the process, further narrowed its net losses.

The Energy and Utilities division remained a stable income generator for the Group as robust domestic economy continued to power demand for electricity alongside population growth. Natural gas continued to be the fuel of choice for the environmentally friendly, with increasing interest seen in green technology such as photovoltaics and renewable energy, an area in which we are keen to further explore in the near future.

We are pleased to be part of Malaysia's nation-building initiatives through several major infrastructure projects to spur economic growth and job creation, which upon completion, will improve the nation's infrastructure and standard of living.

Among the projects undertaken were the RM15.47 billion KVMRT SSP Line project, our Project Delivery Partner (PDP) role for the RM12.86 billion Pan Borneo Highway Sabah project, and sewerage treatment projects.

The Engineering division was a major income earner for the Group although 2017 earnings were relatively lower due to the completion of the KVMRT SBK Line. Nevertheless, we expect higher revenue recognition from our on-going projects in the coming year.

Moving on, we will pursue our strategy to constantly expand, sustain our leading position and improve our services to stay ahead while we explore new markets and opportunities.

GROUP'S REVENUE

RM4.16 BILLION

COMPARED TO RM4.63 BILLION IN 2016.

PROFIT AFTER ZAKAT TAX (PAZT)

PORTS AND LOGISTICS
RM380 MILLION

ENERGY AND UTILITIES
RM162 MILLION

ENGINEERING
RM188 MILLION

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017, MMC posted overall revenue of RM4.16 billion, from RM4.63 billion previously, following the completion of KVMRT-SBK Line in July 2017 and absence of land sale at Senai Airport City Sdn Bhd (Senai Airport City) amid weak sentiment in an overall sluggish property market.

However, the impact was moderated by on-going progress at the KVMRT-SSP Line and Langat Sewerage Project as well as higher contribution from the Ports and Logistics division, namely PTP and JPB.

Ports and Logistics was the largest income contributor, accounting for approximately two-thirds of the Group's revenue in 2017. The division posted revenue of RM2.82 billion, compared to RM2.74 billion in 2016, as higher contribution from PTP and Refinery and Petrochemical Integrated Development (RAPID) Material Offloading Facilities operations by JPB offset lower container volume handled at Northport.

Revenue for Engineering division stood at RM1.26 billion in 2017, supported by contributions from the KVMRT-SSP Line and Langat Sewerage Project compared to RM1.51 billion revenue in 2016, following the completion of the KVMRT-SBK Line in July 2017.

The Group recorded Profit After Zakat and Tax (PAZT) of RM267 million in 2017 from RM601 million previously. This was underpinned by the completion of KVMRT SBK Line and one-off provision for impairment of RM98 million on Stormwater Management and Road Tunnel (SMART), compensated by higher contribution from KVMRT SSP Line and share of profit from Penang Port.

By division, Ports and Logistics contributed PAZT of RM380 million in 2017, Energy and Utilities recorded RM162 million in PAZT while Engineering division achieved PAZT of RM188 million.

PORTS & LOGISTICS

- PELABUHAN TANJUNG PELEPAS SDN BHD
- JOHOR PORT BERHAD
- TANJUNG BRUAS PORT SDN BHD
- NORTHPORT (MALAYSIA) BHD
- PENANG PORT SDN BHD
- KONTENA NASIONAL BERHAD
- JP LOGISTICS SDN BHD

PORTS & LOGISTICS

PORTS AND LOGISTICS DIVISION

The Ports and Logistics division stayed on an even keel despite the waves created by large-scale carrier consolidation as well as massive changes in global shipping alliances and trade routes, as we anchored on our strong and lasting partnerships with shipping majors and a stable customer base for conventional cargo.

Significant external developments included the decision by OCEAN Alliance to opt for Singapore as its primary hub, which led to diversion of transhipment away from Port Klang. However, our existing relationship with AP Moller Maersk's APM Terminals enabled us to retain PTP's position with the 2M Alliance while JPB and Penang Port were less vulnerable and broadly insulated by its continued focus on hinterland cargo.

Working together as one team, MMC Port Holdings Sdn Bhd (MMC Ports) was able to turn the tide and stay ahead by delivering seamless, efficient s ervices a cross a ll i ts fi ve po rts alongside prudent spending and careful implementation of planned cost rationalisation measures to buffer against adverse market conditions.

Ports and Logistics division posted total revenue of RM2.82 billion in 2017, accounting for about 68% of the Group's earnings for the year, up 3% from the preceding year's RM2.74 billion. This was possible with higher contribution from PTP and RAPID Material Offloading Facilities (RAPID MOLF) operated by JPB which more than offset lower container volume handled at Northport.

Pre-tax profit edged up to RM479 million in 2017, from RM441 million previously, supported by higher contribution from JPB and Penang Port and a RM44 million negative goodwill from our acquisition of 49% in Penang Port.

Of greater significance for MMC Ports was the achievement of several milestones as it stayed ahead by securing new trade, gaining new alliances and implementing facility upgrades. During the year, MMC Ports inked several deals to form new alliances and collaborations with large shipping companies to expand our services, promote new routes and further develop some of our existing ports, details of which are outlined in subsequent sections of this report.

TOTAL REVENUE
RM2.82 BILLION
ACCOUNTING FOR ABOUT 68% OF THE GROUP'S EARNING FOR THE YEAR 2017.

PRE-TAX PROFIT
RM479 MILLION
FROM RM441 MILLION IN YEAR 2016.

MMC PORTS ACHIEVED
SEVERAL MILESTONES
AS IT STAYED AHEAD BY SECURING NEW TRADE, GAINING NEW ALLIANCES AND IMPLEMENTING FACILITY UPGRADES.

PORTS & LOGISTICS

In 2017, our operations were also bolstered by Malaysia registering a strong economic expansion of more than 5% with phenomenal trade growth of about 20%, the highest rate in 13 years. The domestic economic growth, our successful implementation of expansion and upgrading plans, prudent management and aggressive marketing strategies as well as cohesive teamwork enabled us to overcome various challenges posed and emerge stronger.

PTP's expansion and upgrading plans remained on course, as we undertook channel dredging, wharf upgrading and other works in 2017 as part of our RM1.2 billion comprehensive upgrading programme that has raised the port's capacity to 12.5 million TEUs, from over 10 million TEUs currently.

Acquisition of new equipment, such as bigger quay cranes, rubber tyred gantry cranes (RTGs) and prime movers to boost capacity, productivity and overall competitiveness also ensured that we stayed ahead in the industry.

Efforts were also made to enhance the competitiveness of our warehousing facilities and rates in an increasingly competitive environment, by optimising land space, proactive and aggressive marketing coupled with positive relationship building with customers and potential leads.

Our strategy to establish MMC Ports to expand our scale of operations and business presence across Malaysia also proved to be successful as it enabled us to maximise capital and resources more efficiently to strengthen business operations and lower costs by leveraging on group synergies across business units.

We are confident t hat t hese i nitiatives w ill y ield p ositive r esults for the Group and the country's continued economic and overall trade growth will also augur well for the ports and logistics industry in 2018.

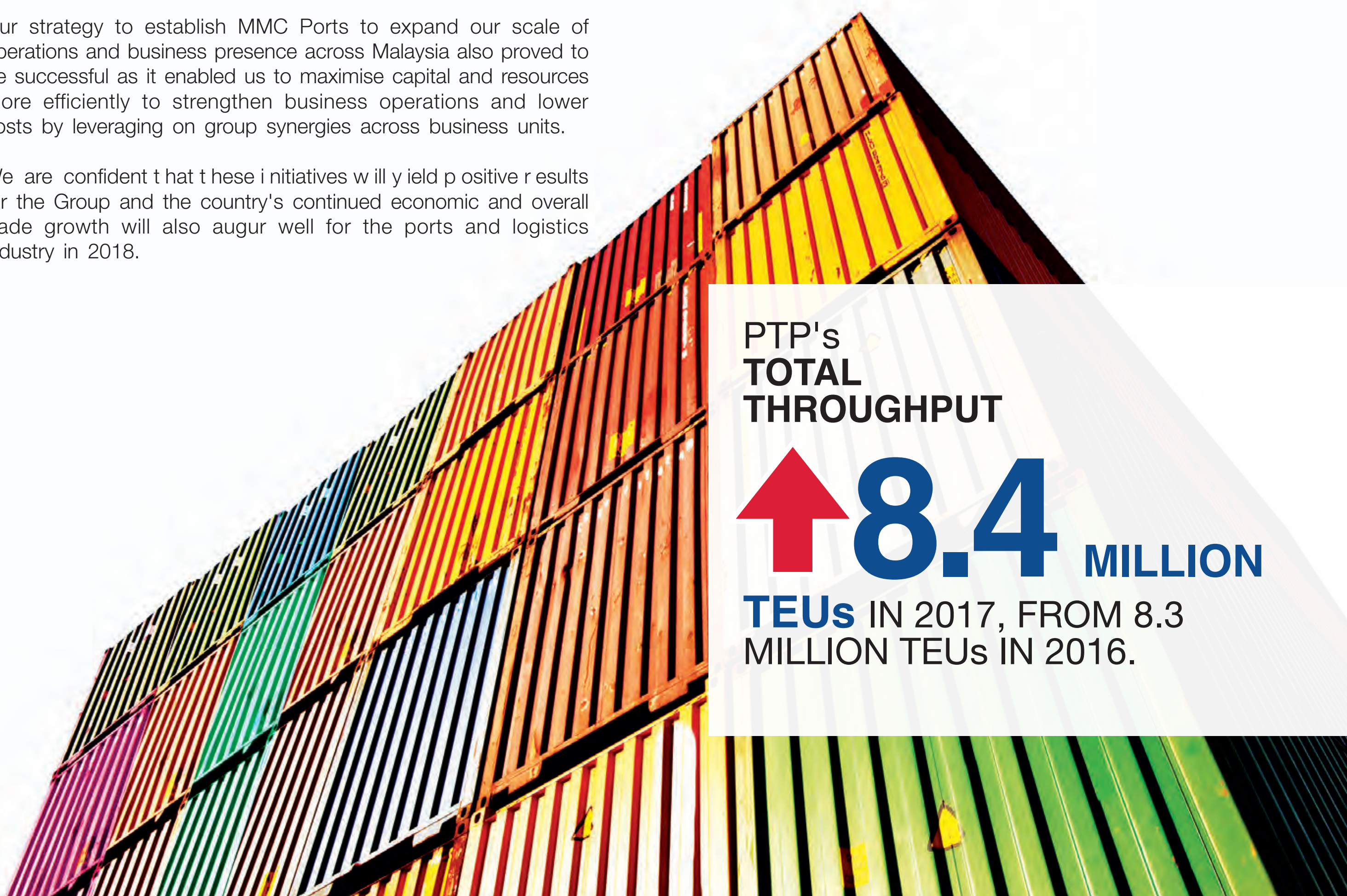
PELABUHAN TANJUNG PELEPAS SDN BHD

During the year under review, PTP's total throughput rose by 1.2% to 8.4 million TEUs in 2017, from 8.3 million TEUs in 2016, with improved customer experience, proactive measures to ensure equipment reliability and availability, as well as good customer rapport and stakeholder relationships.

With 2M as key client and the added support of existing customers, vessels from other alliances and shipping partners, PTP was able to gain a slight edge from the global shipping alliance reshuffling exercise.

At the same time, higher box rates as well as increases in storage revenue and Marine non-container revenue helped raise PTP's overall revenue by 5% to RM1.19 billion in 2017, from RM1.14 billion previously. Despite the increase in rates since early-2017, PTP's rates remained competitive vis-à-vis other major regional ports, and we also have the added advantage of being a premier transhipment hub with total integrated logistics solutions.

Meanwhile, storage revenue rose on the move to cut free storage period to five days from seven days previously while Marine non-container revenue increased by 23% over the year with higher non-container vessel calls.



PTP's **TOTAL THROUGHPUT**

8.4 MILLION

TEUs IN 2017, FROM 8.3 MILLION TEUs IN 2016.

PORTS & LOGISTICS

The year's stronger revenue and lower interest cost offset higher operational costs amid a challenging environment and depreciation, which left pre-tax profit remain stable in 2017 at RM167 million compared to RM168 million a year earlier.

Among the key developments in the shipping industry is the evolution of bigger container vessels, with major shippers such as Maersk now journeying with more giant vessels such as Triple-E, in a move to reduce CO2 emissions, for energy efficiency and economy of scale as well as to enhance competitiveness.

As the allure of mega-ships continues to grow, fuelled by economy, energy and environment, the challenge then is for port operators to ensure safe transit of deep-drafted ships through shallow waters, thus requiring greater investments, equipment and efficiency.

As the landscape changes with more ports transforming to keep pace with the new mega-container ships, PTP must also continue to expand to allow flexibility for such vessel arrival and departure by expanding its wharfs, deepening berths and adding cranes.

Planning ahead, PTP had embarked on a robust maintenance programme to improve the reliability of its equipment, and consequently enhance the overall terminal service level. At the same time, PTP had upgraded the wharfs at berths 5 and 6 to accommodate new Triple-E cranes and carried out channel dredging to deepen the draft to 18.5 meters from the existing 16.0 meters.

To ensure consistency in service delivery and to improve operational capability, PTP undertook a series of equipment refurbishment and acquisition projects in 2017, valued at approximately RM721 million. This included the refurbishment of seven IMPSA quay cranes, removal of another seven units and the acquisition of eight Triple-E quay cranes.

PTP became the first port in Southeast Asia to have the tallest ship to shore quay cranes in the region with the installation of four new Triple-E cranes in November 2017 and the remaining four in January 2018.

Other notable developments during the year included the acquisition of 29 RTGs and 93 prime movers, the upgrading and comprehensive retrofit programme for twin-lift cranes and the formation of an Engineering task force to re-establish safety and reliability of existing cranes.

By investing in state-of-the-art equipment and facilities, PTP was able to create a new, full capacity berth to cater for mega vessels, and thus further established itself as one of the best-equipped and most technologically-advanced terminal in the region. The investment was critical to ensure we adapt to rapid changes within the port and shipping industry and continue to meet growing demand.

Bringing knowledge building a step further, PTP sealed an industrial-academia agreement with Universiti Malaysia Terengganu (UMT) and Universiti Tun Hussein Onn Malaysia (UTHM) to enhance the development of maritime and logistics studies through training for students and by creating a platform for maritime technology and port management research and development (R&D) sharing.

Going forward, PTP will further strengthen its performance, productivity and efficiency with the aid of the additional and upgraded facilities.

Continued investments towards comprehensive upgrading, refurbishment and replacement of terminal capacity and equipment will be one of the key measures taken to ensure that PTP stays ahead.

On-going efforts to ensure equipment availability and reliability will also be crucial for PTP to deliver efficient service to satisfy customers. Initiatives and future maintenance strategy include a mid-cycle equipment performance review and inspection plan programme to periodically inspect and assess equipment to ensure life-cycle readiness.

Enhancement of the IT systems are also on the cards as PTP will be rolling out new and improved Enterprise Resource Planning (ERP) system and Terminal Operating System (TOS) for lean and more seamless operational processes as well as to boost efficiency.

With the ERP system, processes and information can be streamlined across the organisation whilst many back-office functions related to technology, services and human resources can be automated for more efficiency and precision as well as reducing costs in certain areas. The TOS will help unlock greater performance and efficiency by enabling terminals to optimise operations, move cargo more efficiently and reduce costs.

PORTS & LOGISTICS

These initiatives along with a general positive economic growth outlook should enable PTP to achieve its 2018 total throughput target of 9.0 million TEUs.

Meanwhile, we continue to look into the development of our talents and skilled workforce, leveraging on their unique strengths and experience as well as building knowledge through partnerships with higher education institutions.

We will also empower our employees with the skills and knowledge they need to further develop themselves as well as enhance their service delivery to our customers. Employees are given various avenues to scale the career development ladder and other human capital development opportunities through an accelerated learning curve.

As always, safety remains our utmost priority, epitomised by our proactive safety culture and environmental awareness that we continuously emphasise to all our employees and stakeholders and is deeply rooted in PTP's culture. Plans are afoot to launch a safety campaign in 2018 focusing on maximising controls in each of the five critical working areas known as Fatal 5. This initiative will be led by the Health, Safety and Environment Department.

PENANG PORT SDN BHD

Penang Port, Malaysia's oldest port, has traditionally been the main gateway for shippers in northern Peninsular Malaysia and southern provinces of Thailand. Until today, Penang Port remains a key port of call for both transhipment and cruise liners, evidenced by the sterling performance achieved in 2017.

Total throughput at Penang Port hit a high of 1.5 million TEUs in 2017, gaining more than 6% year-on-year from 1.4 million TEUs in 2016, as container trucks continued to roll in from neighbouring Thailand.

PENANG PORT
HIT A HIGH OF
1.5 MILLION
TEUs IN 2017

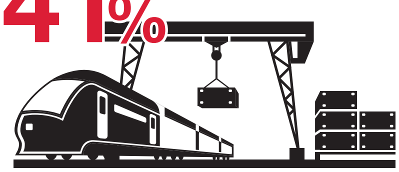
Container volumes for both imports and exports rose by 7% and 6% year-on-year, respectively, boosted by 8% local volume growth from the Penang hinterland as well as a 3% expansion from southern Thailand containers, spurred by the availability of various entry modes including the land bridge from Thung Song District, Nakhon Si Thammarat, Thailand.

This was in tandem with Malaysia's economic growth of more than 5% and Thailand's economic expansion of 3.9% in 2017.

About a quarter of the total throughput was contributed by containers from Thailand, where 41% of the containers were transported by rail through Padang Besar, 42% by road via Bukit Kayu Hitam and Padang Besar, and 17% via barges from Kantang. There was a significant increase of 20% in volume via road, while that for rail saw a slight dip of 8% and by barges was largely unchanged.

A quarter of the total throughput was
CONTRIBUTED BY CONTAINERS FROM THAILAND

41%



of the containers were transported by rail through Padang Besar

42%

by road via Bukit Kayu Hitam and Padang Besar, and 17% via barges from Kantang

During the year, cargo volumes edged up 0.2% year-on-year, with import cargo accounting for 85% and the rest being export accounts, as higher volumes handled by private terminals offset lower breakbulk volumes.

The cargo segment also began handling two new cargoes of armour rock and ball clay through the non-containerised terminal in 2017, and the positive impact is likely to be reflected in 2018 earnings. We were able to improve overall volume by maintaining good customer relationships, engaging with manufacturers in Penang and southern Thailand, conducting active promotions, and improving the general efficiency of the port.

Our sterling performance was supported by a 19% surge in cruise passenger arrivals at SPCT recording 1.2 million total passenger arrivals disembarking from international cruise ships, cruises to nowhere and regional ferries in 2017. International cruise calls rose sharply to 271 in 2017 from 144 a year earlier, which more than offset a dip in the other two segments.

Among the notable names that called at Penang Port were *SuperStar Gemini*, *SuperStar Libra*, *Diamond Princess*, *Star Clipper*, *Mein Schiff*, *Voyage of the Seas*, *Dawn Princess*, *Sapphire Princess*, *Majestic Princess*, *Queen Elizabeth*, *Queen Mary 2*, as well as the *Royal Carribean's Mariner of the Seas* and *Aida Bella*.

TOTAL CRUISE PASSENGER
1.2 MILLION
ARRIVALS DISEMBARKING
FROM INTERNATIONAL CRUISE SHIP.

Asia's newest luxury cruise ship *Genting Dream* also made its maiden call at Swettenham Pier from its homeport in Singapore, with 1,700 passengers disembarking in Penang in December 2017.

These factors and developments clearly boosted Penang Port's revenue to RM487 million in 2017 from RM448 million in 2016, with pre-tax profit surged to RM65 million from RM16 million previously along with a staggering jump in profit after tax to RM40 million from RM15 million a year earlier.

Going forward, we see immense potential growth for Penang Port in both the container business and cruise travel.

Container volume at Penang Port should expand at a healthy pace this year in tandem with positive economic growth projected for both Malaysia and Thailand, since the local market generates about three-quarters of Penang Port's container volume and the rest mostly from southern Thailand.

PENANG PORT'S
REVENUE
RM487 MILLION
IN 2017 FROM RM448 MILLION IN 2016

The Malaysian economy is estimated to expand at about 5.0% to 5.5% in 2018 while Thailand has raised its 2018 exports outlook to 6.6% from 5.7% estimated previously, in line with an upward revision of the country's economic growth forecast to 4.2%. This bodes well for Penang Port as the major gateway for southern Thailand and northern Peninsular Malaysia.

Meanwhile, according to the 2018 Cruise Industry Outlook report released by Cruise Lines International Association (CLIA), some 27.2 million passengers are expected to cruise with 27 new ocean, river and specialty CLIA cruise line ships scheduled to debut this year.

We expect SPCT, currently the busiest cruise terminal in Malaysia, to welcome some 1.8 million cruise passenger arrivals next year and the RM200 million expansion project to be launched in 2018 will boost its capability to receive larger cruise liners in the future. Cruise calls at Penang Port are also likely to rise at a steady pace in 2018 as cruise tourism in South East Asia gains traction with the various heritage, cultural and gastronomical attractions that this region has to offer along with a year-round warm weather.

We however foresee some challenges ahead and have taken proactive measures to mitigate the risks to ensure continued growth and return on investment.

Shippers are increasingly in favour of bigger vessels and such larger-capacity, heavily-loaded vessels need deeper drafts. Dredging is therefore, essential for Penang Port to keep up with the latest shipping trend in the industry.

The existing wharfs and terminal building have now reached optimum capacity, which calls for further expansion in the near future. Plans are currently being reviewed to boost the capacity at Penang Port.

To this end, Penang Port will be undertaking expansion works in September 2018, including the T1 wharf expansion project which will, upon completion, boost container capacity to 2.7 million TEUs from 2.0 million TEUs currently.

PORTS & LOGISTICS

As for the SPCT, plans are already underway to upgrade the terminal in a US$35 million (RM155 million) collaboration with Royal Caribbean Cruises Ltd to transform the cruise terminal into a preferred port for international cruise operators capable of berthing two mega cruise liners carrying over 4,900 passengers each at any one time.

In March 2017, Penang Port signed Heads of Agreement with Royal Caribbean Cruises for a 60:40 joint venture to upgrade and improve SPCT to include an extension of existing berths to 688 metres from the current 400 metres, redevelopment of surrounding facilities with adequate space for tour buses and improved accessibility for the aged and physically-challenged passengers from ship to shore.

Once completed, SPCT will further entrench its position as a premier cruise port added with the attraction of Georgetown as a UNESCO World Heritage site, Penang will be a major cruise destination in the region.

Another area of concern is impact from the Thai Government's recent and on-going major infrastructure projects that will boost the rail transportation access to Laem Chabang deep-sea port as well as the State Railway of Thailand's efforts to promote rail transport from upper southern Thailan to Laem Chabang for loading onto direct call vessels.

To mitigate this, Penang Port is currently working closely with the Northern Corridor Implementation Authority (NCIA), Royal Malaysian Customs and KTM Berhad to improve the channels for more efficient cargo flow and to speed up processes at the border.

We believe these, and other initiatives undertaken will bode well for Penang Port and help the port operator realise another year of strong performance in 2018.

NORTHPORT (MALAYSIA) BHD

For Northport, 2017 was a testing year when changes in global shipping alliances saw several liners shifting their calls from Port Klang to other ports in neighbouring countries. However, we are positive that Port Klang remains a major international gateway along the busy Straits of Malacca as well as a strategic port catering to a large hinterland market from industrial and commercial hubs in Klang Valley and states in central Peninsular.

The realignment of Asia-Europe calls following structural changes in alliances among major shipping lines such as THE Alliance and Ocean Alliance in April 2017 as well as fewer ad-hoc calls reduced transhipment volumes for Port Klang.

Key to the change was the joint venture agreement between CMA CGM and PSA Singapore that resulted in the French carrier shifting a large number of its calls to Singapore, while the deal for China's COSCO Container to shift its operations to Singapore as its primary hub in 2017 also precipitated the diversion of transhipment cargo away from Port Klang.

As one of the key operators in Port Klang, Northport saw its transhipment volume receding by 16.1% year-on-year with its total revenue from Container Services moderating by 1.7% to RM475 million in 2017 from RM483 million previously.

The cut in Container Services revenue, which accounted for almost two-thirds of Northport's total revenue, was cushioned by a slight improvement in the local segment of laden and empty boxes as well as Conventional Cargo Services.

During the year, we focused on retaining our shipment of local containers to counter the impact of lower transhipment as it provides relatively higher yields. Thus, in 2017, the local segment of laden and empties remained stable at 1.6 million TEUs, aided by a 0.8% year-on-year rise in empty local containers.

Overall Conventional Cargo Services ended the year with a 2.0% increase in throughput at 8.2 million FWT, compared with 8.0 million FWT in 2016, although Breakbulk throughput declined following imposition of duties on several major iron and steel products.

Breakbulk throughput cargoes such as iron, steel products, scraps, coils, machinery and timber was pared down by 11.1% as the imposition of safeguard duties for steel concrete reinforcing bar, steel wire rods and deformed bar coils curtailed iron and steel imports. The Government's decision on the imposition of duties for three years beginning April 2017 came on the heels of investigations and petitions from the domestic steel industry.

However, a 20% jump in Dry Bulk and 4% rise in Liquid Bulk volume helped to turn the tide.

These factors collectively trimmed Northport's total throughput to 3.0 million TEUs in 2017 from 3.2 million TEUs in 2016, which led to overall total revenue of RM677 million in 2017, from RM710 million a year earlier.

PORTS & LOGISTICS

Amidst this challenging landscape, we remained prudent in our spending, kept costs at manageable levels and continued to reduce overall operating expenditure.

For the year 2017, Northport turned in a pre-tax profit of RM111 million compared to RM139 million in 2016, and a profit after tax of RM104 million against RM119 million previously.

PRE-TAX PROFIT

RM111 MILLION

FROM RM139 MILLION PREVIOUSLY IN 2016.

We believe it is essential to constantly review our business model and strategic partnerships to ensure that we can withstand the various challenges to stay ahead.

Therefore, to mitigate further potential loss of major liners, we signed long-term Terminal Service Agreements with major liners to retain their presence in Northport and offered value-added services to shipping lines such as On-Dock Depot, priority berthing and end-to-end value chain solutions to long-established shipping line customers.

IN MAY 2017, NORTHPORT AND WEIFANG SIME DARBY PORT CO LTD SIGNED A MEMORANDUM OF UNDERSTANDING (MOU) TO ESTABLISH A SISTER PORT RELATIONSHIP FOR PORT MANAGEMENT COOPERATION AND TO FACILITATE MALAYSIA-CHINA HALAL TRADE SHIPMENT.

The collaboration will involve the sharing of experience, capabilities and resources in port management as well as carrying out of joint commercial and promotional activities to boost both Northport and Weifang port, as part of the 21st Century Maritime Silk Road under the OBOR initiative.

This move also set the pace for our successive strategy in the coming years to focus on creating regional distribution centres by leveraging on Port Klang's strategic location in the commercial and industrial hub of Klang Valley as well as along the Silk Road Economic Belt and OBOR.

We also foresee our local volumes rise in tandem with future opportunities for multinational and regional companies to set up Regional Distribution Centres (RDCs) in Port Klang to provide value-added services such as re-labelling and re-packing of goods for the ASEAN market.

To further consolidate our position as a major port, we continued to seek strategic alliances with reputable shipping companies. In September 2017, Northport signed a strategic alliance MoU with Shin Yang Shipping Sdn Bhd and Harbour-Link Group Bhd to form The East Malaysia Network (TEAM Network) for economies of scale in resource sharing.

Under this MoU, Northport will provide an efficient port services and high terminal productivity, and the alliance is also expected to gain from synergistic benefits derived collectively from MMC Ports as a whole.

We believe that Northport has much to offer due to its strategic location in Klang and its ability to leverage on the Group's synergy by collaborating with companies within the group to provide integrated logistics and transportation services together with KNB, DRB HICOM Berhad, Tradewinds Bhd and other units in the group.

PORTS & LOGISTICS

WE ARE HUMBLED TO BE RECOGNISED WITH THE **OUTSTANDING PERFORMANCE AWARD IN THE PORT CATEGORY AT THE MALAYSIA WORLD MARITIME WEEK 2017**, **FOR TWO CONSECUTIVE YEARS** AFTER MEETING THE SELECTION CRITERIA WHICH INCLUDED GROWTH IN CARGO HANDLING, IMPLEMENTATION OF GREEN INITIATIVES, INNOVATIONS AND CORPORATE SOCIAL RESPONSIBILITY.

On-going port infrastructure and terminal capacity enhancements also enabled Northport to accommodate larger vessels that require a deeper draft, which is largely in line with the global shipping trend in deployment of bigger vessels.

With the completion of Wharf 8A at Container Terminal 4 (CT4) in 2013 and upgrading works in Wharf 8 in July 2017, Northport has enhanced its ability to handle Ultra Large Container Vessels and at the same time expanded its container handling capacity by 600,000 TEUs. The total combined berth length and depth of Wharfs 8 and 8A had increased to 563 metres and 17 metres, respectively.

To further enhance capacity and efficiency, orders had also been placed in July 2017 for the purchase of 4 units of quay cranes - comprising two units of 24-across, twin-lift with 70 tonnes lifting capacity and 2 units of 18-across, twin-lift with 55 tonnes lifting capacity, which is scheduled to be delivered in 18 months.

As for the Conventional Cargo Services, it was clear that the imposition of safeguard duties would dampen iron and steel imports and curb volume growth for the Breakbulk segment. Leveraging on good foresight, Northport had mitigated this by focusing its strategies on handling more project cargoes and commodities such as aggregates and maize.

This effort to grow the conventional cargo services will be extended since dry and liquid bulk provides higher yield per tonnage and we are targeting a double-digit growth for these two segments in 2018.

In addition, we are confident that direct engagement with shippers and end-users will enable us to remove third party control over the choice of terminal, further brightening the prospects for Northport.

Meanwhile, we have also optimised available open and covered storage space and acquired new warehouses to cater for conventional volume growth.

New projects such as the development of the third port on Carey Island will also bode well for the group in the coming years when it materialises. We expect to secure the Government's approval in principle this year for us to proceed with in-depth studies relating to the proposed project, including reviewing the aspects of engineering, business potential, risks, socio-environment impact and funding mechanism.

The third port and the Integrated Maritime City on Carey Island will be located on a greenfield site facing the Straits of Malacca along the Maritime Silk Route. The project is part of Malaysia's Transformasi Nasional 2050 (TN50) long-term development plan for a new economic corridor linking Carey Island with key areas such as Putrajaya, Kuala Lumpur and Shah Alam as well as other major ports.

It is envisaged to be built on a 2,500-acre reclaimed area with a depth of 17 metres at a distance of 2 to 3 km from the coast. The port is slated to be operational over three phases, and when fully completed, it will have a capacity of 30 million TEUs of containers and 30 million FWT of conventional cargo.

The RM12 billion first phase development, targeted to be operational by 2028, will have a capacity of 10 million TEUs for container operations and up to 30 million FWTs for conventional cargo operations. The planned infrastructure will also include integrated and automated terminals for grains and food, fertiliser, coal and integrated biomass, as well as biochemicals and fuel production facilities to act as a regional distribution for ASEAN countries.

Aside from the connectivity to strategic locations, the third port is also expected to gain from activities on the island, which encompasses the integrated maritime city to be built on some 11,000 hectares of land.

The Carey Island project is expected to create 100,000 direct and 500,000 indirect employment opportunities and, upon completion, is anticipated to generate RM600 billion in national trade value and RM50 billion in foreign direct investment. We look forward to this major nation building initiative, which is set to become a new landmark for the region's port and logistics industry.

PORTS & LOGISTICS

JOHOR PORT BERHAD

Direct calls to JPB in 2017 were largely intra-Asia loops, thus shielding it from much of the after effects of the major structural changes in global shipping alliances. At the same time, JPB continued to enjoy strong demand from hinterland cargo in tandem with domestic economic growth and the surge in Malaysia's trade in 2017, which drove the port's growth compensating for stagnant transhipment activities.

For the year 2017, JPB generated overall revenue of RM712 million, up 4% from RM688 million a year earlier, bringing the total throughput to 28.37 million FWT from 28.12 million FWT in 2016.

Container volume remained the biggest revenue contributor for JPB in 2017, with 9% year-on-year growth in container throughput mainly attributable to hinterland cargo, which outperformed global container throughput growth of 5.6%. This was mainly contributed by the increase of import and export volume as well as those handled in Rail Yard segment.

OVERALL REVENUE

RM712 MILLION

UP 4% FROM RM688 MILLION A YEAR EARLIER, BRINGING THE TOTAL THROUGHPUT TO 28.37 MILLION FWT FROM 28.12 MILLION FWT IN 2016.

Liquid bulk accounted for the largest percentage of throughput in 2017, largely unchanged from the previous year at 12.2 million FWT, with higher edible oil volume offsetting the decline in non-edible volume. Dry bulk volume was marginally higher at 4.6 million FWT, mainly from the handling of commodities such as cement, clinker and fertiliser. Overall tonnage handled for Breakbulk declined with decreased Petroliam Nasional Berhad (PETRONAS) RAPID project cargo.

Subsidiaries JP Logistics Sdn Bhd (JPLogistics) also contributed to JPB's performance, contributed by cargo shipment from the hinterland market.

JPLogistics is a total logistics solutions provider with a comprehensive and wide network of road transport services and provides port services, supply chain distribution, ship services, freight management and project logistics, corporate services and branch operations.

One of its key revenue generators is the haulage business, which was relatively stronger in 2017 as external haulage gained traction in the second half of the year, thanks to the cocoa season peaking towards year-end. As a result, the monthly average for external haulage rose from 2,807 units in the first half of the year to average 3,064 units in the second half. Other contributing factors included slightly higher volumes from major customers. Improvement in Free Zone Haulage, mainly due to cocoa shipments aforementioned as well as increased volume from Pacific Oils & Fats Industries Sdn Bhd (PACOIL) and BASF, also contributed to the top line.

PORTS & LOGISTICS

JOHOR PORT BERHAD
PRE-TAX PROFIT
RM158 MILLION
IN 2017

JPB recorded a pre-tax profit remained at RM158 million in 2017 largely unchanged from RM158 million just a year ago. The company recorded profit after tax of RM109 million from RM157 million in 2016.

With the Malaysian economy having expanded by more than 5% in 2017, posting its strongest growth in overall trade in 13 years, and anticipated GDP growth of 5.0% to 5.5% in 2018, the stage looks set for higher hinterland cargo this year.

To this end, JPB will continually improve its operating efficiency to ensure it meets the requirements of its customers, to remain a key port of call for hinterland cargo and to cater to the anticipated increase in demand in tandem with Malaysia's economic growth.

Container volume will remain the largest revenue contributor for JPB in 2018, with more significant g rowth l ikely i n t he s econd half of the year following the commencement of the Iskandar Halal Park and potential markets from industries in Tanjung Langsat Industrial Complex. Overall, we expect a 4.0% growth in container volume in 2018 driven by hinterland cargo amidst stagnant growth for transhipment activities.

Liquid Bulk is likely to generate more volume arising from capacity expansion by major tenants, while Dry Bulk should gain from the completion of new warehouse that will provide the space for transit cargo such as wheat, corn, fertiliser, coal and bauxite.

Demand for steel products are expected to stabilise in 2018, bringing hope for greater volume for the Breakbulk segment along with higher LME cargo with greater demand for raw and intermediate goods for manufacturing. We expect to handle new cargo in bauxite, with minimum volume of one million tonnes, commencing March 2018 and also anticipate an increase in our handling of clay, iron-ore and steel slags. There is also a possibility of new cargo in aluminium, which could reach as high as 100,000 Metric Tonnes (MT).

Contribution from its subsidiary JPLogistics is expected to remain positive as external haulage and free zone haulage set to continue driving growth in 2018 on anticipation that volumes may grow by some 10% to 12%. Demands for import is expected to increase in 2018 as Ringgit strengthens further against the greenback. Greater import volumes are likely, mainly for petrochemical-related products from major industry players such as BASF and PACOIL as well as London Metal Exchange (LME) products and Padi Beras Nasional Berhad's (BERNAS) rice shipments, while export volumes are building up as businesses begin to increase imports of raw materials and semi-finished products to be subsequently processed into final products for exports.

JPLogistics is also in the midst of refurbishing its prime movers and trailers to ensure that it has sufficient and reliable resources to cater to the needs of its customers as well as to gain from the uptick in demand in the coming year.

PORTS & LOGISTICS

DURING THE YEAR, JPLOGISTICS HAS SUCCESSFULLY DELIVERED 90% OF THE CARGO DELIVERY FOR THE RAPID PROJECT. THE RAPID SHIPMENT PROJECT INVOLVED THE PROVISION OF LOGISTICS SERVICES INVOLVING FOUR PACKAGES AND SEVERAL CUSTOMERS AT THE RAPID PROJECT SITE FOR CARGO MEANT FOR THE PENGERANG PETROCHEMICAL COMPLEX. **TOTAL VOLUME HANDLED FOR THE RAPID SHIPMENT PROJECT CURRENTLY STANDS AT 500,000 FWT**.

The logistics provider has also embarked on an improvement process by restructuring all its assets in Malaysia and centralising its operations for greater efficiency and productivity, a move that will help the company reduce operating costs and boost the bottom line when it is completed in March 2018.

We are also excited about the prospects of a new venture at Tanjung Bruas Port for the coming year, where we will be setting up new facilities to introduce a new RoRo service between Malaysia and Indonesia.

TANJUNG BRUAS PORT SDN BHD

Tanjung Bruas Port is located at the central and narrowest part of the Straits of Malacca. It is a sea port in Melaka with two jetties that can accommodate small to mid-sized vessels.The port's "T"-shaped jetty is capable of accommodating ocean-going vessels of up to 160m length overall (LOA) and up to 15,000 Deadweight Tonnage (DWT) capacity while vessel below 65 metres LOA can dock at the inner berth. The jetties are linked to the mainland by a 450-meter bridge (trestle) capable of loads up to 30 tonnes.

The port's stellar performance in 2017 was driven by a rise in revenues and cargo throughput as well as cost savings. Its 2017 revenue of RM14 million was significantly higher than the RM1 million achieved over the six-week period of 20 November till 31 December 2016, as cargo throughput rose mainly from dry bulk for coal and breakbulk cargo of steel coils and general cargo.

It was also a testimony of the success of our marketing strategy to attract new customers as well as encourage existing customers to ship more cargoes via this port.

As part of the MMC Group's overall rationalisation plan, Tanjung Bruas posted significant cost savings from group synergies and operational expenditure mainly from stevedore cost, tugboat cost and forklifts, culminating in pre-tax profit of RM5 million, reflecting a stark improvement from RM501,622 million achieved over the six-week period of 2016. Profit after tax surged on the back of cost savings in expenses, with net earnings reaching RM4 million at end 2017 from RM344,622 million in 2016.

Moving ahead, we will be investing approximately RM10 million to set up new facilities at Tanjung Bruas Port - including the construction of Immigration, Customs, Quarantine and Security (ICQS) building at the port and ramp for the RoRo ships – to deliver the country's first RoRo service between Malaysia and Indonesia.

TANJUNG BRUAS PORT SDN BHD REVENUE INCREASED TO

RM14 MILLION

WAS SIGNIFICANTLY HIGHER THAN THE RM1 MILLION ACHIEVED OVER THE SIX-WEEK PERIOD OF 20 NOVEMBER TILL 31 DECEMBER 2016.

PORTS & LOGISTICS

This RoRo service between Tanjung Bruas Port and Dumai Port vice-versa in Sumatra is expected to commence by second quarter of 2019 and is expected to contribute more meaningfully to the bottom line in the following year.

We are confident that Tanjung Bruas Port will also be able to leverage further on the Group's synergies. With good governance and implementation of best management practices, the port will contribute further to the Group's performance in 2018.

KONTENA NASIONAL BERHAD

Kontena Nasional Berhad (KNB) made positive headway in its haulage, skid transport and warehousing operations, gaining further momentum in the second half of 2017 to improve its overall revenue.

This was possible with a more efficient haulage fleet, cohesive effort to entice warehousing customers, and continued improvement in specialist haulage business which neutralised the contraction in freight forwarding volume.

In 2017, KNB has a total haulage and trucking fleet of about 350 vehicles which included prime mover, box vans, conventional trucks, curtain siders and tipper dumpers, consequently enhancing the availability of service.

The uptrend in KNB's performance was reflected in a steady quarterly increase in average TEU per month, mainly coming from its operations at Port Klang and Penang. Average TEU per month rose from 6,870 TEUs in the first three months of the year to 7,467 TEUs in the second quarter, 8,128 TEUs in the third and finally rose to 8,451 TEUs in the fourth quarter of 2017. Total throughput was largely stable at 92,749 TEUs in 2017, just a tad below the 106,671 TEUs recorded a year earlier, despite intense competition and volatile exchange rates.

Our venture into the specialist haulage business since 2016 as part of KNB's long-term expansion plan proved to be successful, with this segment now contributing 18% to total haulage revenue, up from 11% a year earlier. The skid tank segment is a promising business that is likely to continue to generate a good income stream in the years to come.

KNB has more than 4.7 million sqft area of open yard and 1mil sqft of warehouse area, and during the year, we gained from more businesses seeking storage space in line with an expanding economy and recorded warehouse occupancy of 80% in 2017 compared to 65% a year earlier.

Our positive relationships with customers helped us maintain existing accounts in a competitive environment, which had put much pressure on warehouse rates during the year.

In view of that, KNB will continue to enhance its overall efficiency to mitigate the risk of greater competition, which is expected to depress rates further in the coming months.

Nevertheless, freight forwarding continued to account for the lion's share of KNB's income for the year, contributing revenue of RM146 million in 2017, a marginal dip of 3.6% from RM151 million posted in 2016. Revenue contribution by sectors is Oil & Gas (74%), Government Services sector (10%), Energy & Utilities (10%) and Commercial sector (6%).

Pre-tax loss widened to RM11 million in 2017 from RM4 million previously. With prudent spending and rationalisation of operating expenses, loss after tax registered a slight increase to RM12 million from RM11 million in the preceding year.

It was notable that the haulage, skid business and warehouse segments have all improved in terms of volume and revenue over the past few years, although trucking and port services require further attention.

KNB plays a key role in the Government's Logistics and Trade Masterplan 2015-2020 that aims to make Malaysia the Preferred Logistics Gateway to Asia, where the transport and storage subsector is expected to contribute 4.3% of the gross domestic product of the country or RM50.8 billion in terms of value by 2020.

To this end, we will focus on expanding and maintaining our wide array of assets and infrastructure to remain relevant in the supply chain, logistics and freight forwarding sector. Potential for growth remains promising in 2018, with demand seen rising in tandem with general economic growth, but margins may come under pressure amid stiffer competition to attract customers for services and warehousing facilities.

One of the challenges ahead for KNB's haulage business is to expand its assets on the road and to enhance our reliability, which will include further investments to purchase new prime movers and other vehicles. To stay ahead, KNB is also shifting gear towards handling more specialised haulage business and investing in technology to digitise its fleet operations for ease of tracking, operational efficiency and simplification of documentation processes

ENERGY & UTILITIES

- MALAKOFF CORPORATION BERHAD
- GAS MALAYSIA BERHAD

ENERGY & UTILITIES

ENERGY AND UTILITIES DIVISION

Energy and Utilities remained an important division of the Group's operations, contributing through our share of profits from Malakoff Corporation Berhad (Malakoff) and Gas Malaysia Berhad (Gas Malaysia).

Steady economic growth alongside expanding industrial and commercial activities generated continued demand for electricity supply during the year, hence brightened the journey for the Energy and Utilities division.

DURING THE YEAR, **THE DIVISION SHOWED A STABLE PERFORMANCE WITH THE ENERGY BUSINESS CONTRIBUTING PRE-TAX PROFIT OF RM178 MILLION AND GAS RM56 MILLION FOR THE YEAR ENDED 31 DECEMBER 2017**, COMPARED TO RM134 MILLION AND RM51 MILLION, RESPECTIVELY, IN THE PRECEDING YEAR.

We believe energy and utilities remain a significant industry with much room for further expansion and growth in the future and will continue to provide a stable income stream for the Group.

MALAKOFF CORPORATION BERHAD

Malaysia's ongoing economic expansion continues to drive infrastructure developments in the country, powering demand for electricity supply and generating an estimated demand growth of about 2% to 2.5% annually.

Amid a landscape of stable demand for electricity in the country, Malakoff Corporation Berhad (Malakoff) posted a higher revenue of RM7.13 billion for the year ended 31 December 2017, an increase of almost 17% over the preceding year's revenue of RM6.10 billion. The increase in revenue was primarily due to higher energy payments recorded at Tanjung Bin Power Sdn Bhd (TBP) and Tanjung Bin Energy Sdn Bhd (TBE) on the back of higher coal prices during the year.

MALAKOFF CORPORATION BERHAD
REVENUE

RM7.13 BILLION

FOR THE YEAR ENDED 31 DECEMBER 2017, AN INCREASE OF ALMOST 17% OVER THE PRECEDING YEAR'S REVENUE OF RM6.10 BILLION.

ENERGY & UTILITIES

On the other hand, Malakoff's Profit before Tax (PBT) decreased by 7.7% to RM588.5 million from RM637.5 million due to lower capacity payment received at Segari Energy Ventures Sdn Bhd (SEV), following the revision of its Power Purchase Agreement (PPA) commencing on 1 July 2017. However, the decrease in PBT was partially mitigated by higher fuel margin recorded at TBP and TBE, positive performance from overseas associates and the compensation payment received from settlement of disputes with IHI over TBP's boiler failure.

In line with Government's aspiration to increase Malaysia's renewable energy and clean energy capacity, Malakoff anticipates greater opportunities on solar photovoltaics (PVs), small hydroelectric and biomass plants, including environmentally related infrastructure opportunities such as waste-to-energy projects. At the same time, with the expiring PPAs for some of the Independent Power Producers (IPPs) in Malaysia, Malakoff also sees opportunities for new plant ups and capacity expansion to replace the expiring capacities.

Our commitment to safety and health continues to form a vital part of our operations, with much effort taken to create a safe workplace for all. We are pleased to note that our Prai Power Plant bagged the National Occupational Safety and Health (NOSH) Excellence Award 2017 for Energy Facility category, from the Department of Occupational Safety and Health (DOSH).

MALAKOFF IS ALSO LEVERAGING ON ITS **EXPERIENCE AND EXPERTISE IN POWER AND WATER PROJECTS** TO EXPLORE OPPORTUNITIES OVERSEAS **ESPECIALLY IN HIGH GROWTH COUNTRIES OR REGIONS SUCH AS THE ASEAN AND MENA REGIONS**.

GAS MALAYSIA BERHAD

Gas Malaysia performance improved further in 2017, amid stronger demand for gas and upward tariff revisions.

During the year, revenue expanded by 32.1% to RM5.35 billion, from RM4.05 billion in the previous year, on the back of two tariff revisions and subsequently higher volume of gas sold. Also boosting the revenue stream was tolling fees of RM19.55 million from the transportation of natural gas to Natural Gas Vehicle (NGV) stations and Gas District Cooling (GDC) plants. In addition, due to timely completion of pipeline, capital contribution from customers increased the revenue further by RM35.00 million. Finally, our subsidiary company, Gas Malaysia Virtual Pipeline Sdn Bhd (GMVP), contributed about RM2.84 million to the Group's revenue for the current year.

In line with the improved revenue, Profit after Zakat, Tax and Minority Interest (PAZTMI) came in at RM194.64 million, 17.9% increase from RM165.14 million achieved in the previous year.

The Natural Gas Distribution System (NGDS) network was extended by 57 km in 2017, bringing the total length of gas pipeline in operation to 2,243 kilometres. The infrastructure expansion widened its reach to clients in various locations within the Klang Valley and Putrajaya in the Central region, Melaka and Johor in the Southern region, Perak and mainland Penang in the Northern region, and Gebeng, Pahang in the Eastern region. Supported by the timely completion of pipeline construction and driven by growth in the manufacturing sector, volume of gas sold from existing and new customers increased.

For the current year, volume of gas sold increased by 11.9% to 183.90 million British Thermal Units (MMBtu) from 164.26 million MMBtu in the year 2016.

Gas Malaysia's customers comprised of 853 industrial, 2,310 commercial and 35,720 residential consumers, bringing the total customer base to 38,883 as at 31 December 2017. The industrial consumers made up the bulk of volume of gas sold at 99.3%, followed by commercial and residential customers at 0.7%.

As it is important to ensure sustainable, safe and reliable delivery of natural gas to its customers, Gas Malaysia has yet again maintained service reliability rate of 99%.

ENERGY & UTILITIES

The average duration of interruption per customer improved significantly with the System Average Interruption Duration Index (SAIDI) scaling down to 0.1067 minutes of interruption per customer, from 0.6083 minutes in the previous year. Furthermore, Gas Malaysia clocked an average response time of 23.93 minutes, an improvement from last year's 24.44 minutes, which was far surpassing the benchmark of 90 minutes.

Gas Malaysia's non-core activities such as the Combined Heat and Power (CHP), Virtual Pipeline and Bio-Compressed Natural Gas (BioCNG) have all been commissioned.

Gas Malaysia Energy Advance Sdn Bhd (GMEA) successfully completed its 33MW CHP plant for a major manufacturing company in Prai, Penang, in January 2017. In the current year, the plant consumed approximately 3.14 million MMBtu of natural gas to simultaneously produce electricity and steam to meet the customer's energy requirements.

Gas Malaysia Virtual Pipeline Sdn Bhd (GMVP) also made some progress despite challenging operating environment as a consequence of low prices of alternative fuels such as LPG, diesel and Medium Fuel Oil. For the current year, GMVP sold approximately 45,000 MMBtu of Compressed Natural Gas (CNG) to its customer in Pekan.

Through its joint-venture unit, Sime Darby Gas Malaysia BioCNG Sdn Bhd (SDGMBioCNG), Gas Malaysia capitalised on opportunities within the BioCNG distribution business. In 2017, SDGMBioCNG delivered about 15,000 MMBtu of BioCNG to its customer in Rawang.

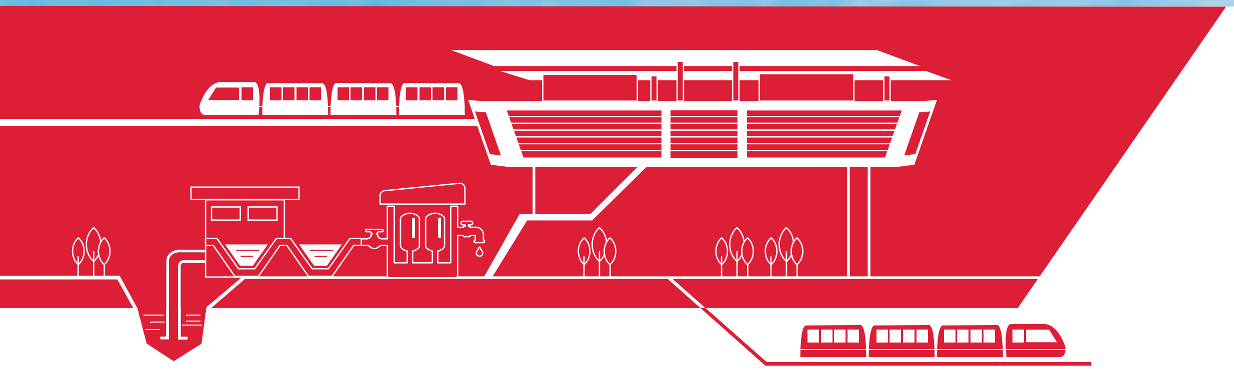
Gas Malaysia shall continue to explore opportunities and mobilise its marketing efforts to further expand the customer base alongside its commitment to providing efficient and reliable service to its customers.

Gas Malaysia's commitment to building more pipeline and ensuring timely completion of infrastructure expansion will further drive its core business while the non-core businesses of Virtual Pipeline, CHP and BioCNG are anticipated to present further improvements in 2018.

VOLUME OF BioCNG DELIVERED 15,000 MMBtu

2,243KM NATURAL GAS DISTRIBUTION SYSTEM NETWORK IN 2017

ENGINEERING



- MMC GAMUDA
- MMC ENGINEERING SERVICES SDN BHD
- MMC PEMBETUNGAN LANGAT SDN BHD
- STORMWATER MANAGEMENT AND ROAD TUNNEL (SMART)

ENGINEERING

ENGINEERING

The Engineering division remained a key income contributor, accounting for about a third of the Group's total revenue in 2017.

Despite a challenging year with some major projects reaching completion, the division continued to perform in 2017 supported by on-going projects.

For 2017, the Engineering division recorded a revenue of RM1.26 billion, from RM1.51 billion in 2016 following the completion of KVMRT SBK Line. The division recorded a pre-tax profit of RM194 million from RM349 million in 2016.

This, however, was cushioned by contributions from on-going projects including Langat Sewerage Project, Pengerang Cogeneration Plant and PTPs' Berths 5 and 6 upgrading projects as well as the KVMRT SSP Line project.

While we focus on our role as Project Delivery Partner (PDP) and underground works contractor for the KVMRT SSP Line project, we are also aggressively pursuing new projects such as the KVMRT Circle Line and the Kuala Lumpur – Singapore High Speed Rail Assets Co projects.

Another notable area for potential growth is our position as PDP for Pan Borneo Highway Sabah where construction works is expected to be in full swing by 2019. To date, seven works packages were successfully awarded in 2017 with 28 more to be awarded to qualified companies in 2018, thus paving the way for construction works to commence in the subsequent year.

MMC ENGINEERING SERVICES SDN BHD

Demand for engineering and construction services remained strong in 2017, enabling MMC Engineering Services Sdn Bhd (MMCES) to rake in higher revenue with on-going sewerage and engineering projects and new projects for port upgrading and warehouse construction.

MMCES topped the preceding year's revenue with RM277 million compared to RM235 million previously, with the Langat Sewerage, Pengerang Cogeneration Plant and PTPs' Berths 5 and 6 projects being the main contributors.

Works involved for Langat Sewerage Project include laying sewage piping network of approximately 105 km, connecting 1,174 manholes in various areas to reduce multipoint pollutant discharge into the Langat River. MMCES has embarked on the engineering works since late 2015 and the project has been progressing well.

For the Engineering, Procurement, Construction and Commissioning (EPCC) Project to build the 1,200 Megawatts (MW) Cogeneration Plant (COGEN) for PETRONAS at its RAPID project in Pengerang, Johor, we are pleased to note that it is progressing as scheduled with the first cogeneration unit being commercially operational in 2017.

When fully operational by 2018, the plant will have four cogeneration units using Siemens' latest H-class gas turbine technology, with a capacity to supply some 1,200 MW of electricity and continuous supply of steam of up to 1,480 tonnes per hour for plants within the complex.

MMCES **TOPPED THE PRECEDING YEAR'S REVENUE WITH RM277 MILLION**

COMPARED TO RM235 MILLION PREVIOUSLY.

The wharf upgrading works at PTP's Berths 5 and 6 to accommodate new Triple-E cranes and deepening of its draft to accommodate larger-sized vessels, with a contract value of RM37 million, also contributed to MMCES' performance in 2017.

During the year, MMCES had also secured a RM60 million irrigation projects from the Ministry of Agriculture. The Muda Irrigation Scheme, employs state of the art cropping technology to increase the irrigation intensity from 18 meter to 30 meter per hectare, thereby increasing the yield of rice production in the Muda area. This project is expected to contribute towards 40% of the nation's rice production. The works shall include but not limited to the construction and supervision of all nature of civil works including earthworks, roads and drainages, and tertiary irrigation canals.

Other projects obtained during the year included works at the double-storey warehouse for JPB as well as warehouse refurbishment and laying of interlocking pavement for Tanjung Bruas Port in Melaka, worth approximately RM56.4 million collectively.

ENGINEERING

THE KVMRT SBK LINE WAS **SUCCESSFULLY COMPLETED TWO WEEKS AHEAD** OF SCHEDULE WITH A **RM2 BILLION SAVING** FROM THE INITIAL TARGET COST OF RM23 BILLION.

The progress in these and other projects fortified the top line for the year, but pre-tax profits narrowed in 2017 to RM17 million compared to RM23 million, and profit after tax of RM16 million compared to RM22 million in 2016 due to lower recognition in COGEN Pengerang project as it is nearing completion.

We are cognisant of the risks of delay in project completion and cost overrun, thus we will continue to focus on best management practices, closely track the progress and cost of projects to ensure timely delivery of projects and prevent cost overrun. Our processes will also include more stringent selection of reliable subcontractors, conducting analyses and post-mortem on completed jobs and upgrading staff skills and knowledge for better delivery of services.

We are planning to pursue more strategic partnerships with other companies, participate in more open tenders as well as submit new proposals for identified projects, with specific focus on water, port infrastructure, on-shore oil and gas infrastructure projects, and civil works.

Talent management, training and career development for our employees will remain a key area of focus in 2018 as we continue to build a pool of skilled and knowledgeable resources to deliver quality services to our customers.

MMC GAMUDA JOINT VENTURE

Through our joint venture with Gamuda Berhad, we undertook the project to develop the KVMRT line spanning from across the greater Klang Valley and the Central Business District of Kuala Lumpur.

The 51-km KVMRT SBK Line project, was the first of three KVMRT lines to be developed, with the second 52.2-km KVMRT SSP Line connecting Sungai Buloh to Serdang and onward to Putrajaya is currently underway.

This entire KVMRT system is an Entry Point Project (EPP) listed under the Economic Transformation Programme's Greater Kuala Lumpur/Klang Valley National Key Economic Areas (NKEA) initiative.

It was a momentous event for us when the KVMRT SBK Line was officially launched on 17 July 2017 by the Prime Minister of Malaysia. The launch marked the full completion of the KVMRT SBK Line project encompassing 31 stations over the 51 km line and we are proud to be at the forefront of the nation's infrastructure once again.

ENGINEERING

MMC GAMUDA KVMRT (PDP) SDN BHD

The KVMRT SBK Line was successfully completed two weeks ahead of schedule with a RM2 billion saving from the initial target cost of RM23 billion.

Following the completion, MMC Gamuda KVMRT (PDP) Sdn Bhd recorded lower earnings for the financial year 2017, with lower revenue of RM1.49 billion from RM2.99 billion recorded in the preceding financial year 2016.

MMC GAMUDA KVMRT (PDP SSP) SDN BHD

The first phase of KVMRT SSP Line is slated for completion in 2021, with full completion scheduled for the following year, by which, it will be able to serve a catchment of 2 million population with an estimated daily ridership of about 529,000 by 2022.

The RM32 billion project, which kicked off in 2016, includes elevated civil, system and underground works packages.

Pre-tax profit rose 160% to RM102 million, from RM39 million previously, while profit after tax surged 171% to RM78 million from RM29 million previously.

Project progress sped ahead and had achieved 15.22% completion by year-end from a mere 2% in 2016. It is currently on track with the line's construction schedule on all fronts.

MMC GAMUDA KVMRT (T) SDN BHD

MMC Gamuda KVMRT (T) Sdn Bhd is tasked with the tunnelling and underground works for the RM8.2 billion tunneling package for the KVMRT SBK Line and RM15.47 billion underground works package of KVMRT SSP Line, which is the biggest on-going infrastructure work in 2017.

In 2017, the company posted overall revenue of RM2.0 billion, compared to RM2.38 billion in 2016 as the latter accounted for the completion of SBK Line. In 2016, we recorded a 3.57% progress for the SSP Line, while in 2017, works at the SSP Line project progressed at 22.65%.

The company recorded a pre-tax profit of RM411 million in 2017 from RM441 million a year earlier, but profit after tax rose to RM368 million from RM329 million due to lower taxes paid in line with further cost saving for SBK Line post-completion.

The most challenging task in underground tunnelling works is tunnelling through the tough geological formations under the ground while maintaining the equilibrium of the sub-surface geological systems. During the year, we were pleased with the arrival of two units of new Tunnel Boring Machines (TBMs). With high-precision TBMs, we are able to excavate rock and soil while building a permanent precast concrete lining of the tunnels simultaneously. Apart from that, we also need to minimise the risks of potential environmental impact such as traffic congestion, noise and vibration, as well as maintain the groundwater regime and non-pollution of water-courses.

We advance into 2018 with brighter prospects, as commencement of tunnelling works should contribute positively to our earnings and amid optimism of securing the turnkey contract for KVMRT Circle Line following our tender submission in 2018.

MMC PEMBETUNGAN LANGAT SDN BHD

MMC Pembetungan Langat Sdn Bhd (MMC PLSB) continued to generate strong income from the RM1.5 billion Langat Sewerage Project, a Government contract under Ministry of Energy, Green Technology and Water (KeTTHA), which it secured in 2014, for the construction of a Centralised Sewage Treatment Plant (CSTP) and a Sewerage Conveyance System (SCS).

The overall project is progressing well, reaching approximately 60% completion by December 2017. Some 90% of the structural work on the construction of the CSTP has been completed and is due for handover soon for installation of Mechanical and Electrical (M&E) process equipment. This progress constitutes about 72% of the total work carried out during the year.

MMC PLSB also made significant progress with the construction of the 105 km of SCS network line, achieving about 65% of completion or a total length of 54 km as of end-2017. The network of SCS covers five catchment areas from Cheras to Kajang and will be integrated with 10 Network Pumping Stations (NPS) (6 are new and 4 existing stations upgrade) from current at 164 nos of NPS which will be decommission later.

Construction works on the NPS are underway and has now reached 26% of completion.

Steady work progress on the project set the foundation for a stronger financial performance with MMC PLSB posting a higher revenue of RM410 million in 2017, gaining almost 55% from the preceding year's RM264 million.

Pre-tax profit advanced to RM16 million from RM11 million in 2016, while profit after tax rose to RM12 million from RM8 million previously.

STEADY WORK PROGRESS ON THE PROJECT SET THE FOUNDATION FOR A **STRONGER FINANCIAL PERFORMANCE** POSTING A **HIGHER REVENUE OF RM410 MILLION IN 2017**, GAINING ALMOST 55% FROM THE PRECEDING YEAR'S RM264 MILLION.

OTHER BUSINESSES

ALIRAN IHSAN RESOURCES BERHAD

Aliran Ihsan Resources Berhad (AIR Berhad) made further headway in 2017 with a robust growth in revenue to RM19.2 million, from RM16.4 million a year earlier, in tandem with higher average water usage of 151 million litres per day (MLD) against 145 MLD previously. Revenue was also higher due to an extension of a contract to supply manpower in Kuala Kangsar water treatment plant and commissioning of a waste water recycling plant as well as a new water package plant in Sibu, Sarawak.

In 2017, AIR Berhad recorded a pre-tax profit of RM3.5 million. Comparatively, pre-tax profit was higher in 2016 at RM5.2 million on account of lower cost of sales following a RM4.3 million discounts in subcontractors payable upon negotiation of contract final account. Net profit, however, was largely unchanged at RM3.7 million after offsetting lower tax expenses of RM1.6 million. AIR Berhad posted net profit of RM3.8 million in 2016.

During the year, AIR Berhad made a splash with several key achievements, including the signing of a Memorandum of Understanding (MoU) with AMTEC (UTM) on the commercialisation of membrane technology and the official opening of the Kuala Kangsar water treatment plant which AIR Berhad has been entrusted to supply the manpower towards Lembaga Air Perak (LAP) requirements.

We also managed to extend our contract with Lembaga Air Perak to continue operating and maintaining the Gunung Semanggol water treatment plant and for Taiping headworks. AIR Berhad via its subsidiary, Aliran Utara Sdn Bhd, obtained the official SPAN Individual License to operate the plants for three years until October 2020.

The year's performance was also underscored by the construction of a new waste water recycling plant in Senawang, Negeri Sembilan with a capacity of one MLD.

We also initiated discussions with industry players by participating in dialogues relating to water works, asset management and non revenue water, as well as engaging with Indah Water Konsortium Sdn Bhd (IWK) in the sewerage sector.

AIR BERHAD **MANAGES 2 WATER TREATMENT PLANTS** NAMELY GUNUNG SEMANGGOL AND TAIPING HEADWORKS WTP WHICH FOCUS ON THE **ENTIRE CYCLE OF OPERATIONS AND MAINTENANCE ACTIVITIES**. DUE TO THE **VAST TRACK RECORDS AND EXPERIENCES OF MANAGING A WATER SUPPLY** ASSET, AIR BERHAD HAS BEEN GIVEN AN OPPORTUNITY TO **PROVIDE MANPOWER SERVICES IN KUALA KANGSAR WTP**, A NEWLY CONSTRUCTED WTP BY LEMBAGA AIR PERAK.

In view of the growth potential for this sector, we hope to score new projects in the coming years by targeting several potential projects such as the off-river storage project for Negeri Sembilan and Perak, and non-revenue water projects. AIR Berhad via its subsidiary, Southern Water Engineering Sdn Bhd secured a contract value of RM 6.2 Million for the supply, installation, development and commissioning of Water Asset Management System (WAMS) for the Langat 2A water treatment plant. The purpose of this WAMS is to assist the asset owner and water operator in managing the asset registration, planning, preventive and maintenance for better planning and maintenance of the water treatment plant.

SENAI AIRPORT TERMINAL SERVICES SDN BHD

Senai Airport Terminal Services Sdn Bhd (SATSSB) delivered its strongest performance yet in 2017 as it touched down with an enviable revenue growth accompanied by a healthy 10% increase in overall passenger movement.

Its aeronautical revenue increased to RM39 million in 2017 from RM33 million a year earlier, with higher passenger movement complemented by newly-increased Passenger Service Charge (PSC) rates.

The PSC rate was raised from January 2017 by RM2 for domestic and RM8 for international flights for some 3.1 million travellers who walked through the doors of Senai Airport, which in itself was a new milestone for SATSSB. This neutralised the impact of the RM30 reduction in PSC for ASEAN passengers.

SENAI AIRPORT TERMINAL SERVICES SDN BHD **DELIVERED ITS STRONGEST PERFORMANCE YET IN 2017** AS IT TOUCHED DOWN WITH AN ENVIABLE REVENUE GROWTH ACCOMPANIED BY **A HEALTHY 10% INCREASE IN OVERALL PASSENGER MOVEMENT**.

AirAsia also introduced a new route to Jakarta, Indonesia, in January 2017, with three flights weekly and commenced flights to Kolkata, India, and Macau, China, in late 2017.

Robust economic activities in Iskandar Malaysia, improved infrastructure connectivity and foreign investments in the property and manufacturing sectors stimulated passenger growth and commercial services at Senai Airport.

We continue to fly with improvements in commercial aircraft and cargo movements at Senai Airport, gaining as much as 11.8% and 21.9% year-on-year, respectively in 2017. The year's cargo movements of 7,614 tons was a new record for the airport.

On the ground, SATSSB continue to generate respectable revenue growth from its car park and retail operations with non-aeronautical revenue rising by 15% to RM20 million, from RM17 million previously. The commencement of a VIP parking facility at Aeromall in January 2017 drove up car park revenue while rentals climbed in tandem with higher occupancy for retail lots at 87% versus 77% a year earlier as new international names such as O'Briens (Ireland), WH Smith (UK), and Boost Juice Bar (Australia) set up shop at the Aeromall.

SATSSB posted a loss before tax of RM17 million in 2017 compared to a RM5 million pre-tax profit in the preceding year, with the variance mainly due to the recognition of a RM28 million net gain from the sub-lease of 25 acres of leasehold land to Pan Asia Logistics Investments in 2016.

However, prospects remain bright for SATSSB as we engage in negotiations with existing airlines to add new routes and expand the capacity of existing routes. This is also complemented by efforts to attract potential foreign airlines to Senai International Airport and increase tie-ups with key tourism industry partners.

We also foresee improvement in our non-aeronautical revenue, with contributions from revenue sharing collection, incremental rise in annual tenancy, short-term lease offers to minimise vacant retail outlets and optimising space utilisation via promotions.

General improvements in connectivity across the globe added with an overall economic improvement is likely to boost passenger air travel and commercial services and is driving airlines to expand capacity, frequencies and routes.

Hence, we anticipate that passenger traffic at Senai International Airport will continue to soar bolstered by the introduction of additional routes by airlines and the introduction of various attractions in Johor such as the largest water theme park in South East Asia in Desaru Coast.

Despite our optimism, we remain pragmatic in our expectations and continue to take proactive measures to mitigate the risks that may arise.

To moderate strategic and operational risks, we continually work towards ensuring efficient and safe operations at the airport and invest in facilities maintenance, upgrade and replacements as required.

We will continue working alongside airport and aviation safety authorities and other stakeholders to minimise health and safety risks whilst instilling a safety culture from top down. To reduce financial risks, we constantly monitor and manage costs, explore new business opportunities and seek new sources of revenue.

THE INTEGRATED DEVELOPMENT OF SENAI AIRPORT CITY IS BLESSED WITH **GOOD ACCESSIBILITY AND INFRASTRUCTURE LINKING TO A COMPREHENSIVE ROAD NETWORK, MAJOR SEAPORTS AND INTERNATIONAL AIRPORTS**.

INDUSTRIAL PROPERTY

MMC's Group Property division plays an important role both as a revenue generator as well as its contribution to nation building through the development and promotion of industrial hubs in key locations.

The property arm manages more than 5,000 acres of industrial developments in Johor and Kedah, with Senai Airport City, Tanjung Bin Petrochemical and Maritime Industrial Centre and Northern Technocity being the key developments with a gross development value of RM8.3 billion.

The integrated development of Senai Airport City is blessed with good accessibility and infrastructure linking to a comprehensive road network, major seaports and international airports.

To date, Senai Airport City has completed Phase 1 of the development, encompassing more than 1,000 acres of land, whilst the on-going works at the 500-acre Phase 2 is slated for completion in 2018. This comprises the completion of site clearing, earthworks with infrastructure such as main transmission intake, water reservoir, sewerage treatment plant and the customs complex at the Free Zone area.

We are optimistic that this progress raises the value proposition and attraction for investments from multinational corporations and major industry players.

Continued development and expansion at Iskandar Malaysia will also add to the visibility of the project and encourage foreign investments in industrial property and lands.

The opening of the RM105 million Diamond Interchange in October 2016 extended the connectivity for Senai Airport City by providing direct access to the North-South Expressway, a major backbone infrastructure stretching from north to south Peninsular and linking to Singapore via the Malaysia-Singapore Second Link (Linkedua).

We remain optimistic about the prospects for industrial developments in the country as a whole despite encountering a sluggish year in 2017, which was largely in line with the general sentiment in the property market and are undeterred by the absence of major industrial land sale for the year.

Nevertheless, interest is expected to perk up at Senai Airport City as we move ahead, following the development of two industrial parks within Senai Airport City, namely I-Park @ Senai Airport City by AME Development Sdn Bhd and Eco Business Park II by Eco World Development Group Berhad, to cater to small and medium-sized enterprises.

We will continue amplifying our marketing activities and strategy to promote our industrial land in Johor and Kedah.

In mid-2017, we progressed with the development of the Sungai Pulai Bridge to connect Gelang Patah and Pontian. Upon completion in late-2020, it will cut the travelling time to merely 15 minutes from an hour and a half currently and improve the connectivity for the Tanjung Bin development.

An improvement in the general market sentiment and continued economic growth will spur more manufacturing activities and in turn lead to greater demand for industrial property and lands in the coming years. Therefore, we remain cautiously optimistic about the prospects for the Property Division in 2018.

SYARIKAT MENGURUS AIR BANJIR & TEROWONG SDN BHD

Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART) has implemented full Electronic Toll Collection mode since 2016, which led to an overall improvement in the efficiency of its collection processes.

However, the 50% toll rate hike in late 2015 had effectively lowered traffic volume in 2016 and extended further into 2017.

The lower traffic volume led to SMART posting a smaller revenue of RM33 million, from the preceding year's RM36 million.

During the year, SMART had to take up an asset impairment of RM195 million on its Motorway Development Expenditure, following a review of the traffic volume projection.

Consequently, loss before tax expanded to RM203 million in 2017 from RM8 million a year earlier.

To mitigate the decline in traffic volume, SMART is currently evaluating several collaborative opportunities with surrounding developments to increase and secure higher captive traffic volume.

At the same time, it is working closely with local authorities to improve signage effectiveness and SMART's visibility, in a move to attract higher traffic volume.

STAYING AHEAD

To stay ahead and chart stronger growth in the coming year, we will continue to focus on our long-term approach of investing and strengthening our position, prioritising our customers, acting in the interest of our stakeholders, and being one with our community.

Our strategy continues to emphasise on judicious investment and capacity building, which will culminate in a total port container capacity of 23.5 million TEUs by 2019, including a capacity of 12.5 million TEUs at PTP following the completion of our RM1.2 billion comprehensive upgrading programme at the port.

Deeper drafts and additional new equipment will transform the landscape at our ports as bigger quay cranes, gantries and prime movers will serve larger vessels docking at the port, in line with the emergence of mega-ships in the industry.

Our investment in the integration of advanced technologies will also support more complex and speedier documentation processes for our ports, a move that will boost our efficiency for container shipping as well as local cargo handling to support the needs of our customers.

We also foresee a significant increase in the number of cruise liners calling at Penang Port along with cruise passenger arrivals, which should result in greater profit contribution for the Group.

As we move ahead, we anticipate greater demand for logistics services and this propels us to further enhance our capabilities to provide integrated services between our seaports, haulage, trucking and warehousing services, as well as our airport in Johor and the national railway service.

Our role, we believe, is to facilitate trade by providing seamless integration of services throughout the supply chain with a global portfolio of assets, where we plan to expand our footprint via strategic opportunities to own more ports or to work in alliance with reliable business partners.

Power stability will remain crucial for our developing nation and we are confident that our Energy and Utilities division will continue to serve the needs of businesses and manufacturers as well as a growing population.

With a strong track record coupled with a well-experienced team, we should emerge stronger in the increasingly competitive power sector. At the same time, the stable power generation business is also expected to see a gradual shift towards renewable and green energy, with the needs of manufacturing activities and economic growth going hand in hand with environmental preservation for the future generation.

Our Engineering division is expected to see greater recognition of work done with respect to several key infrastructure projects undertaken, which should boost earnings in 2018. We aim to deliver according to schedule while keeping a tight rein on costs as well as continuous commitment to safety at the workplace.

Similar to the broader economy, the property market as a whole tends to be cyclical in nature. Despite seeing sluggish interest in the market currently, we continue to work towards building up value for our industrial land and to amplify our marketing efforts for our Senai Airport City development so that we will be ready to capitalise on the uptick when the market turns.

Meanwhile, we are currently developing the Sungai Pulai Bridge linking our Tanjung Bin Industrial Hub to PTP and to the Second Link to Singapore, under a public-private partnership with the Government. Upon completion in 2020, the bridge will drastically reduce the travelling time between Tanjung Bin and PTP as well as to Singapore. This bridge will also bode well for our industrial development in Tanjung Bin.

As for Senai Airport, we look forward to seeing further increases in terms of air cargo and passengers at the airport as well as retail outlet demand at the Aeromall.

In a nutshell, we believe it is our responsibility and priority to continue to enhance the Group's capacity, efficiency, productivity, and agility to adapt to industry changes, strengthen meaningful relationships with stakeholders and partners as well as consistently innovate to ensure that we continue staying ahead.

AWARDS & RECOGNITIONS

2 January 2017

Pelabuhan Tanjung Pelepas Sdn Bhd
Process Compliant Port/Terminal of the Year 2017 –
Global Ports Forum

13 February 2017

Johor Port Berhad
Bulk Liquid Port/Terminal of the Year 2017 –
Global Ports Forum

17 March 2017

Johor Port Berhad
Industry Excellence Award/Anugerah Kecemerlangan Industri for service sector under category 4 (sales turnover of more than RM100 million) –
Ministry of International Trade and Industry Malaysia

24 April 2017

MMC Corporation Berhad
Best Employer Brand Awards 2017 –
World HRD Congress

13 April 2017

Johor Port Berhad
Frost & Sullivan Asia Pacific Best Practices Multi-Purpose Terminal Operator of the Year –
Frost & Sullivan

27 July 2017

MMC Corporation Berhad
Silver Award (1st Runner-up) at the Risk Management Team of the Year 2017 –
Malaysian Association of Risk and Insurance Management (MARIM)

1 May 2017

Johor Port Berhad
Harmony Trade Unions 1 Malaysia (Private Sector) –
Ministry of Human Resources Malaysia

16 July 2017

Kontena Nasional Berhad
Halal Certificate for Trucking –
Jabatan Kemajuan Islam Malaysia (JAKIM)

15 August 2017

MMC Pembetungan Langat Sdn Bhd
Best Minister KPI Achiever Award and 1.5 million manhours without Lost-Time Injury 2016 –
Ministry of Energy, Green Technology and Water

6 September 2017

Malakoff Corporation Berhad
Finalists for PwC Malaysia's Building Trust Award 2017 – PwC Malaysia

24 August 2017

Northport (Malaysia) Bhd
Occupational Safety and Health (OSH) Silver Award for 2016 (Logistics and Transportation category) The Malaysian Society for Occupational Safety & Health (MSOSH)

5 September 2017

Northport (Malaysia) Bhd
Outstanding Performance Award for two consecutive years – Ministry of Transport Malaysia

15 September 2017

MMC Gamuda KVMRT Sdn Bhd
MMC Gamuda KVMRT (T) Sdn Bhd
Best Project Award for Infrastructure Project – Major category and Innovation Award category for Variable Density in Tunneling Technique (VDTT) – The Construction Industry Development Board (CIDB) Malaysia

18 September 2017

Kontena Nasional Berhad
Best Service Award – PETRONAS Petrochemicals & Samsung Engineering Co. Ltd

13 October 2017

Kontena Nasional Berhad
Best of Communications Applications Award – Multimedia Development Corporation (MDEC)

10 November 2017

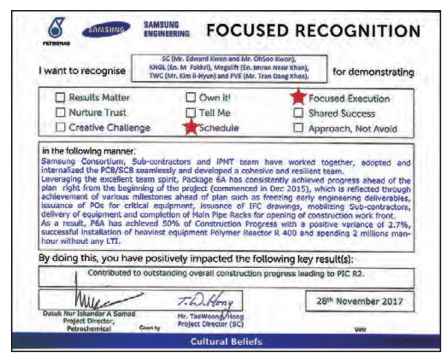
Senai Airport Terminal Services Sdn Bhd
Quality Management System (ISO 9001:2015) and Information Security Management System (ISO 27001:2013) – SIRIM Berhad

16 November 2017

Prai Power Plant, subsidiary Malakoff Corporation Berhad
National Occupational Safety and Health (NOSH) Excellence Award 2017 (Energy Facility category) – Department of Occupational Safety and Health

28 November 2017

Kontena Nasional Berhad
Best Service Award (outstanding overall construction progress leading to PIC R2) – PETRONAS Petrochemicals & Samsung Engineering Co. Ltd



8 December 2017

JP Logistics Sdn Bhd
SME 100 Awards 2017: Malaysia's Fast Moving Companies – SME Magazine

LIST OF ASSOCIATIONS AND CERTIFICATIONS

COMPANY	LIST OF ASSOCIATIONS & CERTIFICATIONS
PELABUHAN TANJUNG PELEPAS SDN BHD	• ISO 14001:2015 – Environmental Management System • ISO 9001:2015 – Quality Management System • ISO/IEC 27001:2013 – Information Security Management System • OHSAS 18001:2007 – Occupational Health and Safety Management • Port Safety, Health, Environment Management System (PSHEMS) Recognition by Partnership in Environmental Management for the Seas of East Asia (PEMSEA) • A Member of ASEAN Port Association (APA) • A Member of Malaysia International Chamber of Commerce & Industry (MICCI) • A Member of Malaysia Dutch Business Council (MDBC) • A Member of Malaysia German Chamber of Commerce & Industry (MGCCI) • A Member of European Union Chamber of Commerce & Industry (EUCCI) • A Member of Institute of Internal Auditors (IIA)
JOHOR PORT BERHAD	• ISO 9001:2015 – Quality Management System • ISO/IEC 27001:2013 – Information Security Management System • ISO 55001:2014 – Asset Management System • OHSAS 18001:2007 – Occupational Health and Safety Management System • A Member of Malaysian Institute of Accountants • A Member of ASEAN Ports Malaysia (APA) • A Member of Institute of Internal Auditors • A Member of Information System Audits and Control Association
NORTHPORT (MALAYSIA) BHD	• ISO 9001:2015 – Quality Management System • ISO/IEC 27001:2013 – Information Security Management System • MS 2400-2:2010 Halalan-Toyyiban Assurance Pipeline Management System • A Member of Federation of Malaysian Port Operating Companies (FMPOC) • A Member of Chartered Institute of Logistics & Transport (CILT) • A Member of Institute of Marketing Malaysia (IMM) • A Member of ASEAN Port Association (APA) • A Member of International Ports & Harbours Association (IAPH) • A Member of Malaysian International Chamber of Commerce and Industry (MICCI) • A Member of Ikhtisas Kelautan Malaysia (IKMAL) • A Member of Maritime Institute of Malaysia (MIMA)
PENANG PORT SDN BHD	• ISO 9001: 2008 – Quality Management System • A Member of Federation of Malaysian Port Operating Companies (FMPOC) • A Member of ASEAN Ports Malaysia (APA) • A Member of Malaysian International Chamber of Commerce & Industry (MICCI) • A Member of Malaysian Institute of Accountants (MIA) • A Member of Institute of Internal Auditors (IIA) • A Member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) • A Member of Association of Chartered Certified Accountants (ACCA)
RED SEA GATEWAY TERMINAL CO. LTD	• ISO 9001:2008 – Quality Management System • ISO 10002:2014 – Quality Management – Customer Satisfaction

COMPANY	LIST OF ASSOCIATIONS & CERTIFICATIONS
KONTENA NASIONAL BERHAD	• ISO 9001:2015 – Quality Management System • MS 2400:2010 – Halal Assurance Management System • MS 2400-1:2010 – Halal Transportation Service Provider • OHSAS 18001:2007 – Occupational Safety and Health Management System • International Air Transport Association (IATA) • Airfreight Forwarders Association of Malaysia (AFAM) • Selangor Freight Forwarders and Logistics Association (SFFLA) • Penang Airfreight Forwarders Association (PAFA) • Malaysian Employers Federation (MEF) • Federation of Malaysian Manufacturers (FMM) • Association of Malaysia Haulage (AMH)
JP LOGISTICS SDN BHD	• ISO 9001:2015 – Quality Management System • ISO 14001:2004 – Environmental Management System • OHSAS 18001:2007 Occupational Health and Safety Management System
MALAKOFF CORPORATION BERHAD	• ISO 9001:2015 – Quality Management System • ISO 14001:2015 – Environmental Management System • ISO/IEC 27001:2013 – Information Security Management System • OHSAS 18001:2007 – Occupational Health and Safety Management System • MS 1722:2011 – Occupational Health and Safety Management System • ACCA Approved Employer – Professional • Malaysian Association of Risk and Insurance Management (MARIM) • Corporate Member of the Institute of Internal Auditors • MECA – The Industrial Relations Consultant
GAS MALAYSIA BERHAD	• ISO 9001:2015 - Quality Management System • ISO 14001:2015 - Environmental Management System • ISO/IEC 27001:2013 - Information Security Management System • OHSAS 18001:2007 - Occupational Health and Safety Management System
ALIRAN IHSAN RESOURCES BERHAD	• ISO 9001:2008 – Quality Management System • ISO/IEC 27001:2013 – Information Security Management System
SENAI AIRPORT TERMINAL SERVICES SDN BHD	• ISO 9001:2015 – Quality Management System • ISO 27001:2013 – Information Security Management System • A Member of International Ground Handling Council (IGHC) • A Member of Malaysia Employer Federation (MEF) • A Member of Malaysia Association for Auxiliary Police
MMC ENGINEERING SERVICES SDN BHD	• ISO 9001:2015 – Quality Management System • OHSAS 18001:2007 – Occupational Health and Safety Management System • Registered with Construction Industry Development Board (CIDB) • Syarikat Taraf Bumiputra Bahagian Pembangunan Kontraktor dan Usahawan • Suruhanjaya Perkhidmatan Air Negara (SPAN)
MMC PEMBETUNGAN LANGAT SDN BHD	• Registered with Construction Industry Development Board (CIDB) • Suruhanjaya Perkhidmatan Air Negara (SPAN)
MMC-GAMUDA JOINT VENTURE (MGJV)	• Registered with Construction Industry Development Board (CIDB)
SYARIKAT MENGURUS AIR BANJIR & TEROWONG (SMART)	• The Association of Highway Concessionaires Malaysia

THIRTY LARGEST SHAREHOLDERS

No	Name	No. of Shares Held	% of Issued Capital
1	Seaport Terminal (Johore) Sdn Bhd	1,576,108,840	51.76
2	Amanahraya Trustees Berhad – Amanah Saham Bumiputera	552,836,200	18.16
3	Lembaga Tabung Haji	231,569,700	7.60
4	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	154,833,600	5.08
5	Kumpulan Wang Persaraan (Diperbadankan)	93,632,400	3.07
6	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd	76,160,100	2.50
7	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	22,790,000	0.75
8	Amanahraya Trustees Berhad – Amanah Saham Wawasan 2020	22,629,500	0.74
9	Amanahraya Trustees Berhad – AS 1Malaysia	18,264,800	0.60
10	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	17,564,000	0.58
11	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	13,010,080	0.43
12	Amanahraya Trustees Berhad – Amanah Saham Malaysia	12,033,400	0.40
13	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	11,157,100	0.37
14	Amanahraya Trustees Berhad – Amanah Saham Didik	9,591,700	0.31
15	Maybank Nominees (Tempatan) Sdn Bhd – National Trust Fund (IFM Maybank)	7,530,000	0.25
16	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Markets Core Equity Portfolio DFA Investment Dimensions Group Inc	6,572,600	0.22
17	Cartaban Nominees (Tempatan) Sdn Bhd – PBTB for Takafulink Dana Ekuiti	6,279,600	0.21

No	Name	No. of Shares Held	% of Issued Capital
18	Maybank Nominees (Tempatan) Sdn Bhd – Etiqa Life Insurance Berhad (Life Non PAR)	6,169,100	0.20
19	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Dana Unggul	5,438,800	0.18
20	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Participating Fund	5,436,400	0.18
21	Maybank Nominees (Tempatan) Sdn Bhd – Etiqa Life Insurance Berhad (Life PAR)	4,100,100	0.13
22	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (ARIM)	4,000,000	0.13
23	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lee Ai Chu	3,976,700	0.13
24	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Cheng Mooi Soong	3,412,100	0.11
25	Cartaban Nominees (Asing) Sdn Bhd – SSBT Fund C021 for College Retirement Equities Fund	3,138,230	0.10
26	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Credit Suisse (SG BR-TST-Asing)	3,116,400	0.10
27	Citigroup Nominees (Asing) Sdn Bhd – Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	2,997,800	0.10
28	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (VCAM Equity FD)	2,712,100	0.09
29	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Public Takaful Bhd	2,695,600	0.09
30	Mega First Housing Development Sdn Bhd	2,130,000	0.07
	TOTAL	**2,881,886,950**	**94.64**

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