

MMC CORPORATION BERHAD

STAYING AHEAD



Staying Ahead

As a leading utilities and infrastructure Group, MMC Corporation Berhad is strategically positioned to continuously support the growth of the industries that we are in namely Ports and Logistics, Energy and Utilities as well as Engineering and Construction.

Building upon our long-standing credentials and expertise, we play a key role in moving economic progress by connecting businesses through our seamless integrated logistics solutions. We are equipped with the resources to support the energy needs of a developing country and play a key role in sustainable development projects whenever the nation needs us. Our strong foundation and prowess remain as a driving force to deliver on mega infrastructure projects for the nation.

Above all, our ability to weave resources and vast experience enable us to stay ahead, pursue our unceasing quest to provide service beyond excellence and build a legacy that will stand the test of time.

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2017
Corporate
Highlights

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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 AND CONSTRUCTION.



CORPORATE PROFILE

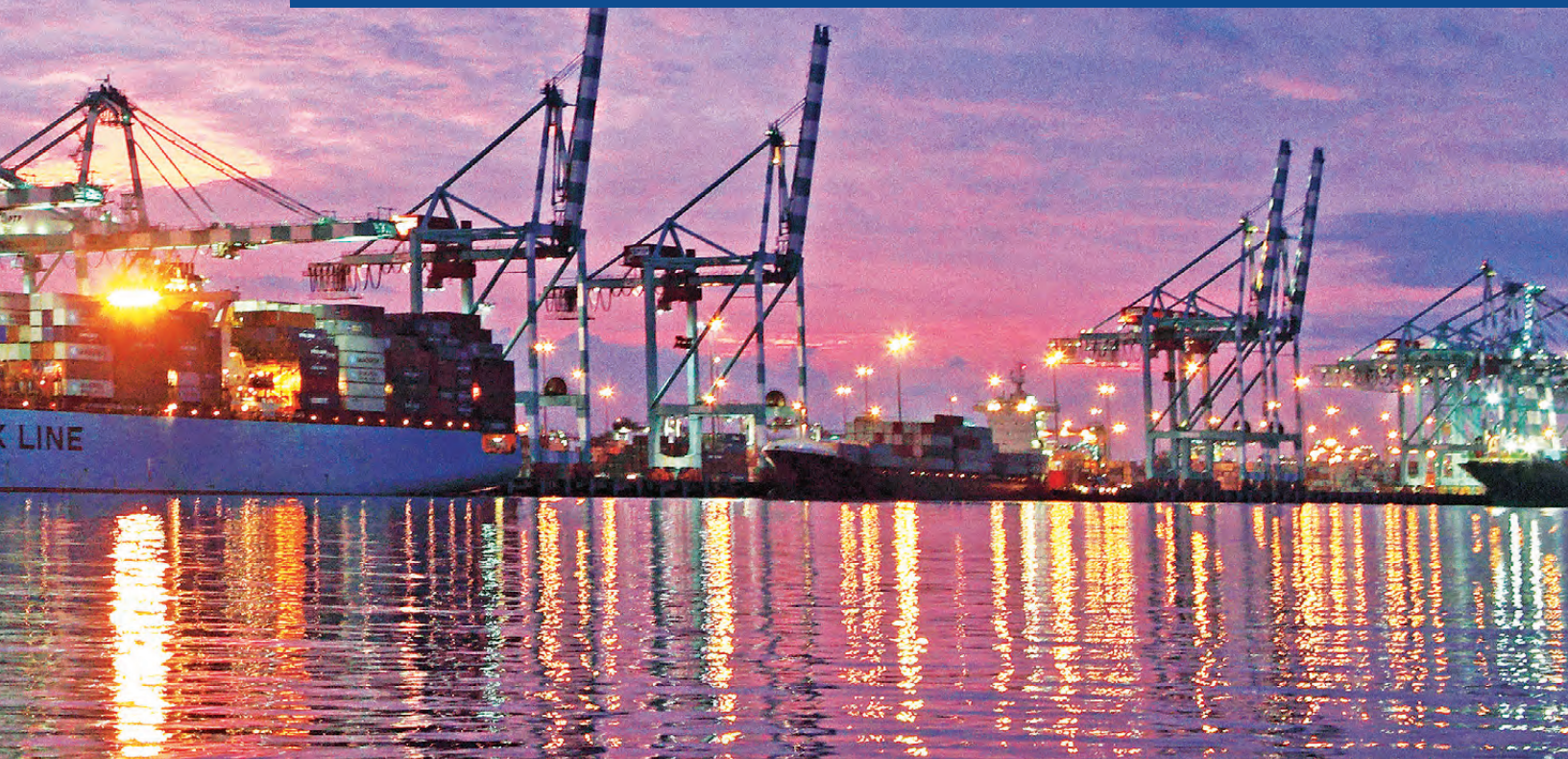
Its key businesses under the Ports and Logistics division include the operations of Pelabuhan Tanjung Pelepas Sdn Bhd, Johor Port Berhad, Northport (Malaysia) Bhd, Penang Port Sdn Bhd, Tanjung Bruas Port Sdn Bhd, JP Logistics Sdn Bhd and Kontena Nasional Berhad. Internationally, MMC has presence in Saudi 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 and Construction 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 construction 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.



CORPORATE STRUCTURE



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 AND CONSTRUCTION.

PORTS & LOGISTICS



PELABUHAN TANJUNG PELEPAS SDN BHD

Transshipment 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

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
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 & CONSTRUCTION



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 Conveyance 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.

TO BE
A PREMIER
UTILITIES AND
INFRASTRUCTURE
GROUP



VISION MISSION



EXCELLENCE IN
OUR CORE BUSINESS
SEGMENTS



BOARD OF DIRECTORS

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS

Independent Non-Executive Chairman

DATO' SRI CHE KHALIB MOHAMAD NOH

Group Managing Director

DATO' ABDULLAH MOHD YUSOF

Senior Independent Non-Executive Director

DATUK OOI TEIK HUAT

Independent Non-Executive Director

DATO' ABDUL HAMID SH MOHAMED

Independent Non-Executive Director

DATO' SITI HALIMAH ISMAIL

Independent Non-Executive Director

TUAN SYED NAQIZ SHAHABUDDIN

SYED ABDUL JABBAR

Independent Non-Executive Director

DATO' IR. JAMALUDIN OSMAN

Non-Independent Non-Executive Director

MR. TEE BENG THONG

Independent Non-Executive Director

CORPORATE INFORMATION

COMPANY SECRETARIES

Ahmad Aznan Mohd Nawawi
Sazlin Ayesha Abdul Samat

REGISTERED OFFICE

Ground Floor, Wisma Budiman
Persiaran Raja Chulan
50200 Kuala Lumpur
Malaysia
Tel : (603) 2071 1000
Fax : (603) 2026 2378
Email : cosec@mmc.com.my

FORM OF LEGAL ENTITY

Incorporated in Malaysia on 19 November 1976 as a private company limited by shares. Converted into a public company on 8 March 1977.

AUDITORS

Messrs. PricewaterhouseCoopers PLT
(LLP0014404-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia
Tel : (603) 2173 1188
Fax : (603) 2173 1288

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : (603) 7849 0777 (Helpdesk)
Fax : (603) 7841 8151 / 52

DIVIDEND SERVICE PROVIDER

Bursa Malaysia Depository Sdn Bhd
10th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia
Tel : (603) 2034 7751
Fax : (603) 2026 3712

PRINCIPAL BANKER

RHB Islamic Bank Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

Stock Code : 2194
Stock Name : MMCCORP

FINANCIAL CALENDAR

2018

14 May 2018

Annual General Meeting

20 June 2018

Entitlement to 2017 final dividend

5 July 2018

Payment of 2017 final dividend

Announcement of financial results for the
Financial year ended 31 December 2017:

29 May 2017

1st quarter ended 31 March 2017

28 August 2017

2nd quarter ended 30 June 2017

22 November 2017

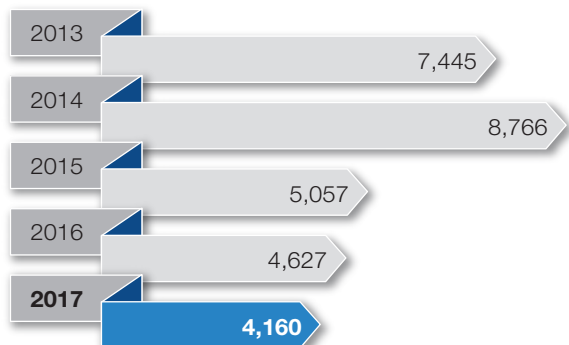
3rd quarter ended 30 September 2017

27 February 2018

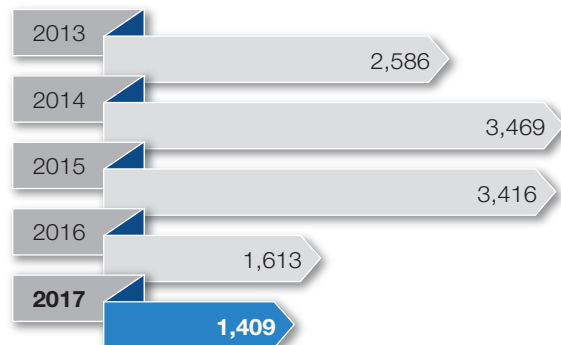
4th quarter ended 31 December 2017

PERFORMANCE AT A GLANCE

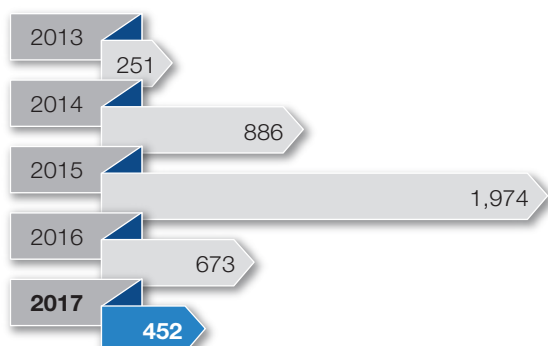
REVENUE (RM million)



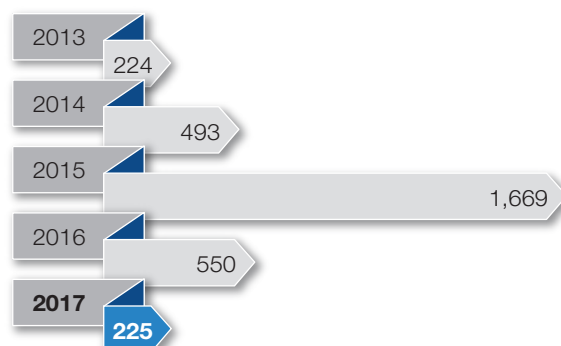
EBITDA (RM million)



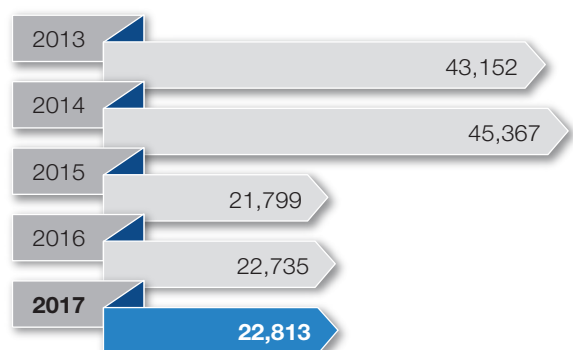
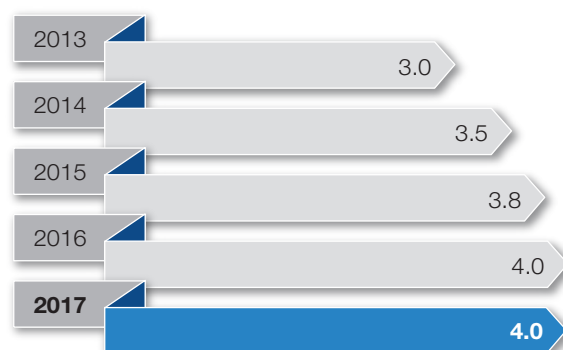
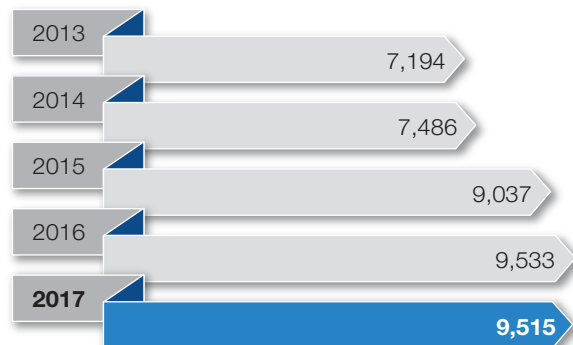
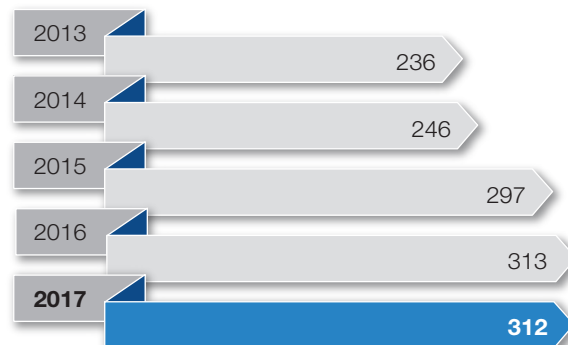
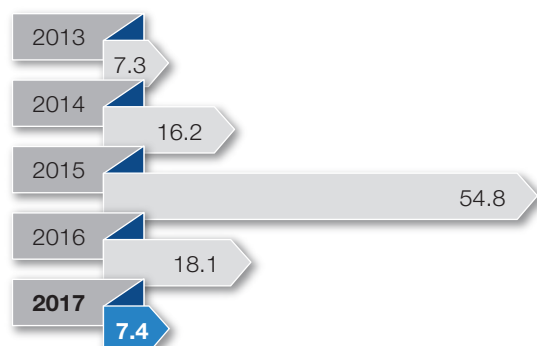
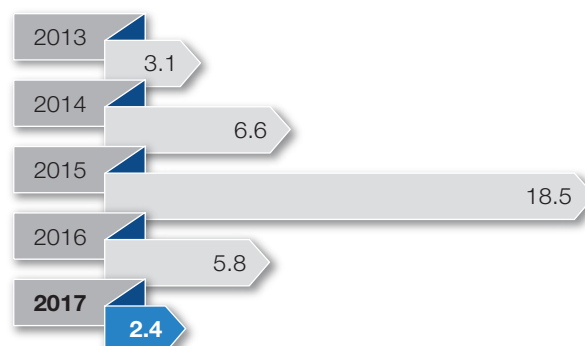
PROFIT BEFORE ZAKAT AND TAXATION (RM million)



PROFIT AFTER TAX AND MINORITY INTERESTS (RM million)



PERFORMANCE AT A GLANCE

GROSS ASSETS (RM million)**DIVIDEND PER SHARE** (sen)**SHAREHOLDERS' FUNDS** (RM million)**NET ASSETS PER SHARE** (sen)**EARNINGS PER SHARE** (sen)**RETURN ON EQUITY** (%)

CHAIRMAN'S MESSAGE

MMC CORPORATION BERHAD (MMC OR THE GROUP) ACCOMPLISHED SEVERAL MILESTONES AND FURTHER CONSOLIDATED OUR POSITION IN FINANCIAL YEAR 2017 AS A LEADING UTILITIES AND INFRASTRUCTURE GROUP.



CHAIRMAN'S MESSAGE

During the year, we undertook various measures to strengthen our platform for sustainable growth, improve our productivity and efficiency, contribute to nation building, connect with the community and create value for our stakeholders.

By staying ahead every step of the way, we were able to overcome various challenges to emerge stronger and remain relevant in an ever-changing world as we edge closer to achieving our vision to be a premier utilities and infrastructure group.

Therefore, we have chosen the theme ***Staying Ahead*** for our 2017 Annual Report as it epitomises our performance for the year and our aspirations towards 2018.

Having managed our costs well, remained on track with our long-term growth plan and delivered satisfactory financial results under the current challenging circumstances, we have a responsibility to provide our shareholders with a return on their investment.

Therefore, I am pleased to announce that the Board of Directors is recommending a dividend of 4.0 sen per share, consistent with the returns provided to shareholders last year, subject to the approval of Members at the upcoming Annual General Meeting (AGM).

I now present this 2017 Annual Report on the Group's milestones and activities, performance and financial statements for the year ended 31 December 2017.

THE YEAR THAT WAS

A key development during the year that changed the landscape for the shipping industry was the shift in ocean carrier alliances in April 2017. The three alliances, namely 2M, Ocean Alliance and THE Alliance represented nearly 80% of global container trade and accounted for approximately 90% of container capacity on major trade routes.



2M, Ocean Alliance and THE Alliance
REPRESENTED NEARLY 80% OF GLOBAL CONTAINER TRADE
and accounted for approximately 90% of container capacity on major trade routes.

Following the consolidation, Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) remained the key regional hub for the 2M Alliance (Maersk and MSC) and Evergreen as well as a secondary hub for the Ocean Alliance (COSCO, OOCL and CMA CGM). The 2M Alliance's prospects in the industry continue to show promising developments following Maersk Line's recent merger with Hamburg Sud and the signing of a strategic cooperation agreement with Hyundai Merchant Marine which is expected to strengthen the alliance's competitiveness in the industry. During 2017, PTP registered 1 additional weekly call from 2M and a 4-weekly call arrangement with Ocean Alliance is expected to be finalised in 2018.

Port Klang, which was CMA CGM's long-standing Southeast Asian hub, on the other hand, has lost some market share to Singapore mainly as a result of CMA CGM's acquisition of the Singapore-based APL. The acquisition signals CMA CGM's intention to maximise its return of investment in a joint-venture terminal with PSA in Singapore, namely the CMA CGM-PSA Lion Terminal, which is expected to drive away volumes from Port Klang.

This situation was however ameliorated by strong support from customers in the conventional cargo segment and steady demand from the hinterland market, as we relied on long-lasting customer relationships and efficient service, an effort which is continuing until this day.

Facility infrastructure upgrades at our ports included, among others, a first in this region to feature the tallest ship-to-shore cranes that can serve mega vessels with capacity of more than 18,000 TEUs as well as berth upgrading and drafts deepening to cater to Triple E containers and Ultra Large Container Carriers (ULCC) vessels. Plans are also afoot to introduce new services such as the country's first roll-on/roll-off (RoRo) service between our Tanjung Bruas Port in Melaka and PT Pelabuhan Indonesia I's (PELINDO I) Dumai Port in Sumatra.

To fortify our position, we have also secured new alliances in the establishment of The East Malaysia Network (TEAM Network) with Shin Yang Shipping Sdn Bhd and Harbour-Link Group Bhd as well as a sister port relationship with Weifang Sime Darby Port Co Ltd to capitalise on the One Belt, One Road (OBOR) initiative.

Also of significance in 2017 was the stellar performance in terms of cruise passenger arrivals at Swettenham Pier Cruise Terminal (SPCT) and the arrival of Asia's newest luxury cruise ship Genting Dream in December, with the capacity to carry up to 3,500 passengers on its maiden voyage from its Singapore homeport.

Another notable milestone is the impending US\$35 million upgrading project in collaboration with Royal Caribbean Cruises Ltd to transform SPCT into a port of call for international cruise liners with terminals capable of berthing two mega cruise liners carrying over 4,900 passengers each at any one time.

CHAIRMAN'S MESSAGE

Our prowess as a port operator extended beyond the seas to the air with more than 3 million passengers travelling through our Senai International Airport in 2017 as we steered our way through reforms in airport passenger service charges. AirAsia Group recently unveiled its Fast Airport Clearance Experience System (FACES), Malaysia's first airport facial recognition system with self-boarding gates at Senai International Airport, offering travellers with a seamless travel experience from check-in to boarding using the latest biometric facial recognition technology.

On the ground, we celebrated the official launch of Klang Valley Mass Rapid Transit (KVMRT) Sungai Buloh-Kajang (SBK) Line at the Tun Razak Exchange Station on 17 July 2017, a testimony of our continued contribution to nation building. The project was completed two weeks ahead of schedule and at RM2 billion below budget.

It was also commendable to witness the cohesiveness and solidarity of our employees who worked through testing times to continue to deliver excellent service to customers and their commitment to ensure a safe environment for all, enabling us to create an injury-free workplace.

STEADY RESULTS DESPITE CHALLENGES

For the financial year 2017, the Group posted a commendable revenue of RM4.16 billion, with stable income contribution from its three divisions, namely Ports and Logistics, Energy and Utilities and Engineering and Construction.

In 2017, the Ports and Logistics division bettered its performance amid continued infrastructure upgrades and strong support from the hinterland market, which offset lower transshipment that came hard on the heels of the shift in global shipping alliances. The division contributed 68% or RM2.82 billion to Group revenue, with total container throughput of 13.75 million TEUs.



THE GROUP POSTED A
COMMENDABLE REVENUE

**RM4.16
BILLION**



Improvements were led mainly by PTP, Johor Port Berhad (JPB) and Penang Port Sdn Bhd (Penang Port). Transshipment volume at Northport (Malaysia) Bhd (Northport) took the hardest hit when global shipping alliances shifted in favour of Singapore, but this was partly cushioned by the shipment from local containers and conventional cargo.

Contributions from the Energy and Utilities division remained largely stable amid sustained demand for power in tandem with the general economic growth. At Malakoff, we are actively exploring Renewable Energy (RE) opportunities, in line with the Government's aspiration. Expansion into RE will enable Malakoff to widen its horizon and expand RE generation capacity as well as capability into new areas such solar, hydro, biogas and any other sustainable energy. Resilient demand from a strong customer base also continued to support Gas Malaysia Berhad's natural gas distribution business.

The Engineering and Construction division on the other hand, sustained positive revenue growth from its on-going projects such as the KVMRT Sungai Buloh-Serdang-Putrajaya (SSP) Line project and Langat sewerage projects, which enabled the division to contribute total revenue of RM1.26 billion to the Group in 2017.

In other businesses, Senai Airport Terminal Services Sdn Bhd (SATSSB) and Aliran Ihsan Resources Berhad (AIR Berhad) flew in with strong top line growth which added RM77 million to the Group's revenue.

More details on the financial and operational performance are shared in the Management Discussion and Analysis section that follows.

CHAIRMAN'S MESSAGE

MANAGING RISKS, ENHANCING EFFICIENCIES

To manage our risks, we constantly identified, assessed, monitored and reviewed key risks and potential outcome and took swift action to mitigate the risks whenever they arise or in anticipation of potential ones.

We also have in place a structured risk management framework and processes that are aligned with the principles of ISO 31000 for effective risk management including the Finance, Investment and Risk Committee and a standardised Group Procurement Policy, to name a few.

We will continuously ensure that risks across the Group are managed in a holistic manner, integrated into our culture, business practices and business plans, including employees of all levels and applied consistently.

Trends shaping the shipping industry will also have an impact on our operations, and currently we are seeing an acceleration in the mega-ship trend. As major shippers increasingly turn to larger vessels for energy efficiency and economies of scale, ports that do not plan, adapt and evolve run the risk of being obsolete ahead of their time.

To mitigate this, we are careful and prudent in spending on CAPEX with the aim of increasing productivity, efficiency and quality of service. With meticulous planning and substantial investments made to strengthen our infrastructure, we now have newer facilities with greater capacity and handling efficiency and we have also upgraded and refurbished our equipment to ensure reliability.

We also took proactive measures to reduce our vulnerability to any one segment with a more proactive approach to connect with customers to better understand their needs, build up resilience by exploring new markets and introduce new services.

Meanwhile, we have also embarked on a strategic review across all aspects of our operations to identify our strengths, where we could do better and how best to respond to changes and opportunities that may arise in the future.

INVESTING FOR THE FUTURE

With a workforce of more than 14,000 employees operating across diverse industries, we continue to find value in our people and to invest in them and their future. We do so by providing training and opportunities for them to further develop their knowledge and skills, encouraging them to enhance their qualification and capabilities.

As an equal opportunity employer, MMC employs, appoints, promotes, develops and rewards its employees through the principles of meritocracy and fairness.

A WORKFORCE
OF MORE THAN

14,000 EMPLOYEES

OPERATING ACROSS
DIVERSE INDUSTRIES



We believe our people form the identity of the Group and by investing in them we are able to leverage on their skills and abilities to create value for our customers and stakeholders.

We also contribute to knowledge building as part of our commitment to develop our people and our nation by sharing our knowledge and expertise with academic institutions and other industry players.

One of our latest initiatives in December was the collaboration between MMC and the Ministry of Higher Education through its Department of Polytechnic Education. The collaboration provides opportunity for polytechnic students to undergo industrial training in MMC group of companies. An industrial reference centre called MMC Polytechnic Education Centre at Ibrahim Sultan Polytechnic, was established to accommodate the joint programmes between these two parties.

CHAIRMAN'S MESSAGE

CONNECTING WITH THE COMMUNITY

We continue to demonstrate our commitment to the welfare of the community and protect the environment through several key CSR programmes carried out during the year.

Among MMC's key initiatives for the community is our annual programme, *MMC Prihatin*. Under this programme, we contribute essential food items through our operating companies to assist underprivileged families in their preparation for the Hari Raya celebration.

In 2017, the Group also donated four units of hearses to four mosques in Johor, worth more than RM670,000 to assist the communities with funeral matters along with alms hand-outs.

To support the development of our future generation, we have established the MMC Smart Circle Programme to assist both the students and the schools' development by providing learning materials and upgrading school libraries to further academic excellence and inculcate an interest in reading. Throughout the year, the programme has distributed RM120,000 worth of reading materials to selected schools in areas within our operations.

Other community initiatives included the Back to School Programme where we contributed school supplies to needy students, and disaster response through our Emergency Rescue Team, which was called to action to assist in flood relief work in Penang last November.

In addition to job creation and nation building through our participation in major infrastructure projects, MMC also embarked on environmentally-responsible initiatives by investing in facilities that minimise greenhouse gas emissions and promotes energy efficiency and sustainability.

Our commitment also extends to supporting and collaborating with researchers and institution of higher learning to conduct scientific studies relating to preservation of biodiversity and environmental conservation.

Through helping others and by employing environmentally-responsible methods in our operations, we are able to develop sustainable growth for our organisation, ensure continued economic development for our nation, and build a future for the next generation.



CONTRIBUTE ESSENTIAL FOOD

items through our operating companies to assist underprivileged families in their preparation for the Hari Raya celebration



DONATED FOUR

UNITS OF HEARSE TO
FOUR MOSQUES



DISTRIBUTED RM120,000

WORTH OF READING
MATERIALS IN 2017



EMBARKED ON ENVIRONMENTALLY-RESPONSIBLE

initiatives by investing in facilities that minimise greenhouse gas emissions and promote energy efficiency and sustainability



CHAIRMAN'S MESSAGE



**1.5 MILLION
MAN-HOURS
WITHOUT LOST
TIME INJURY (LTI)**
COMMENDATION IN
THE ENGINEERING AND
CONSTRUCTION DIVISION



MMC GAMUDA KVMRT
(T) SDN BHD ACHIEVED
**FOUR STAR
RATING** FROM THE
**BRITISH SAFETY
COUNCIL**

**COMMITMENT TO SAFETY**

At MMC, safety has always been our priority, and with the cooperation of all employees and stakeholders concerned, we were able to maintain a safe working environment.

We continued to invest time and effort into minimising our Average Lost Time Injuries Frequencies (ALTIF) rate and we are further encouraged by recognition for our efforts to create a safe workplace for our people, such as the 1.5 million Man-hours Without Lost Time Injury (LTI) commendation to our subsidiary in the Engineering and Construction division.

MMC Gamuda KVMRT (T) Sdn Bhd's achievement of the Four Star rating from the British Safety Council was also a significant accomplishment, as it is one of the most stringent Occupational Health & Safety (OH&S) Management Safety Audits in the Five Star Occupational Health and Safety Audit.

This audit process involved an in-depth examination of our entire health and safety management system and key aspects of our approach to managing occupational health and safety in the workplace, and recommendations for continuous improvement.

Our undivided commitment to safety rests on our belief that there is no greater value than the lives of our people and others who operates in our premises, and to this end, we continue to put priority on initiatives such as our annual Health and Safety Week at each of our Operating Companies, on-going safety training as well as fire and disaster drills.

AWARDS

Our pursuit of operational excellence was recognised with PTP being awarded the *Process Compliant Port/Terminal of The Year Award* during the 2017 Global Ports Forum Awards held in Dubai, United Arab Emirates.

We were also honoured to have Northport receiving the Outstanding Performance Award in the port category at the Malaysia World Maritime Week 2017, for the second consecutive year, based on criteria such as growth in cargo handling, implementation of green initiatives, innovations and corporate social responsibility.

In the Engineering and Construction division, MMC Pambetungan Langat Sdn Bhd's commitment was given due recognition by the Ministry of Energy, Green Technology and Water (KeTTHA) through the KPI Achiever Award.

We commend our employees and thank all our stakeholders for making it possible for us to obtain these awards and we believe that it will encourage our employees to continue to put their best foot forward and aim for even greater achievements in the coming year.

CHAIRMAN'S MESSAGE

**OUTLOOK**

The future success of MMC is influenced by our ability to anticipate and understand the needs of our customers as well as the agility to adapt to the changes of the industries that we operate in, in order for us to stay ahead.

We foresee that there will be further changes to the shipping industry landscape in the years to come and we are now taking proactive measures in anticipation of this so that we can capitalise on opportunities that may arise.

Whilst we prepare to welcome mega-ships from across the globe which will effectively drive volumes at the ports, we remain cognisant of the needs of the smaller vessels and continue to support customers from the hinterland, as it remains a key market for our ports and logistics business.

Further development of the cruise terminal in Penang alongside a growing cruise travel market is expected to boost our position in this respect in the coming year, along with our collaboration with the Royal Caribbean Cruises Ltd to further develop Swettenham Pier.

The overall general economic conditions, both globally and domestically, will certainly have an impact on our businesses. The favourable domestic growth outlook should bode well for the Group as greater manufacturing and commercial activities in the country will boost demand for logistics and transportation services.

Meanwhile, the Government's continued commitment towards nation building and infrastructure development increases the likelihood of further mega projects in the future, and as a key player in the engineering and construction sector, we believe that MMC stands in good stead to secure new projects going forward.

We are also not discounting the opportunities in the private sector, with plans underway to bid for new jobs in the market to raise the orderbook for our engineering and construction business.

The airline sector is also set to soar as industry players ramp up their capacity with new airplane orders, increase flight frequencies and introduce new routes. In view of that, Senai International Airport is looking forward to another year of growth in passenger arrivals as well as greater demand for our retail outlets at the Aeromall.

CHAIRMAN'S MESSAGE

The property market outlook however is expected to remain subdued, which creates a challenging environment for our industrial property. However, we aim to overcome it through aggressive marketing and attractive promotions by capitalising on the growth and attraction of Iskandar Malaysia as well as continue to facilitate the development of several projects by key developers in our Senai Airport City.

Our success is also dependent on established relationships with customers, alliances, the Government agencies as well as other stakeholders and the communities living in the areas that we operate in and who are influenced by our operations.

In all, we expect a brighter year ahead for MMC as we continue to leverage on our strengths and new alliances, cooperate closely with our strategic partners, explore new markets and strive to deliver efficient services to our customers.

ACKNOWLEDGEMENTS

We are grateful to all our stakeholders including the various Government agencies, our business partners and alliances, valued customers, investors and our community for placing your trust in us.

Last but not least, I wish to commend all employees for their unceasing commitment, which forms the cornerstone of our growth, and we thank them for coming through for the Group amid the challenges that we had to face over the year.

This achievement would not have been possible without the leadership of our Group Managing Director, Dato' Sri Che Khalib Mohamad Noh, and his management team.

I thank all of you for your immense contribution to a successful year.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

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 and Construction 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 RM4.0 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 transshipment 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

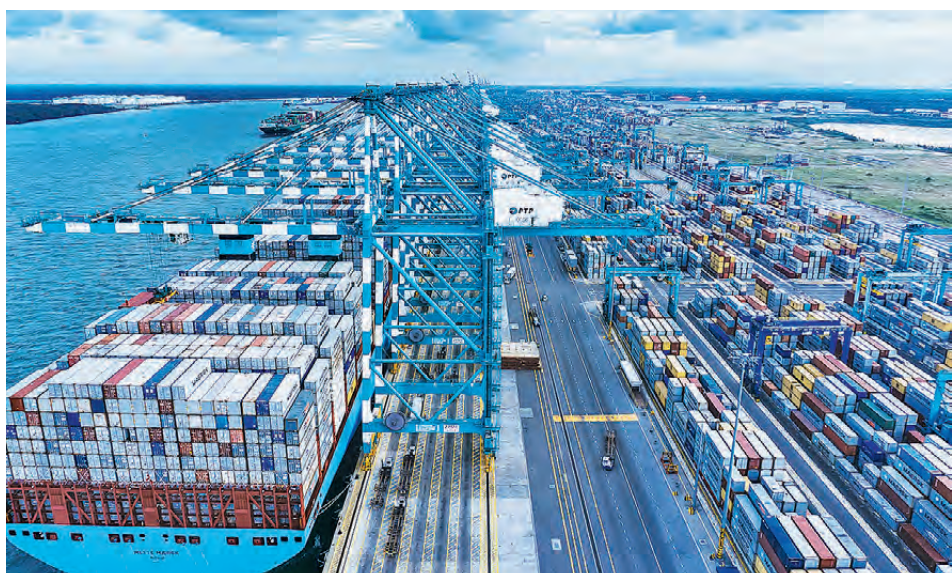
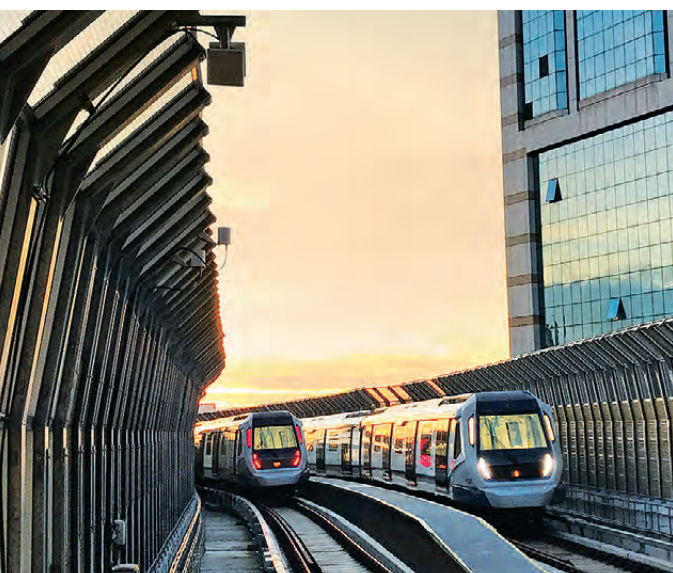
Among the projects undertaken were the RM15.47 billion KVMRT SSP Line project, our Project Delivery Partner (PDP) role for the RM12.86 billion Pan Borneo Highway Sabah project, and sewerage treatment projects.

The Engineering and Construction 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.



MANAGEMENT DISCUSSION AND ANALYSIS



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 AND
 CONSTRUCTION
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 and Construction 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 and Construction achieved PAZT of RM188 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGING RISKS

Active risk management remained vital in our operational management. Assessment on overall risk profiles were carried out both at the Group level as well as the operational level of each company.

MMC's Risk Management Committee was entrusted to discuss and deliberate the quarterly Group Risk Management report and subsequently table it to the Finance, Investment and Risk Committee (FIRC) of the Board. The risks were then highlighted to the Board via presentation of these reports, both for notation and advice regarding the risks and the mitigation measures taken.

Key strategic risks identified are risks that could affect the investment value or anticipated return on investment for the Group. To mitigate this, we have established a strong framework for risk management in this respect, particularly having established the FIRC and Guidelines for Investment. Undertaking due diligence and having management representation on the Board in subsidiary or associate companies further reduced our risks.

Risks associated with concessions were minimised by ensuring strict compliance with the stated terms, conditions, and all governing rules stipulated by the authorities, as well as frequent engagements with the authorities, while concerns regarding business ventures were mitigated through close monitoring of business operations, open discussions and strong rapport with our partners.

Operational risks were managed at operating companies level and were similarly identified and assessed with findings highlighted to the respective risk management teams for deliberation and implementation of mitigating measures.

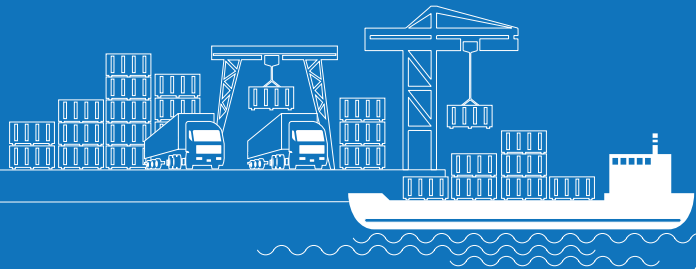
This included, among others, risks relating to the health and safety of our workers, particularly those that could lead to fatality or major environmental mishaps.

On mitigating the risks, most of our operating companies subscribed to regular audits, were certified and in compliance with international standards for safety and environment, such as ISO 18001 Health & Safety Management System and ISO 14001 Environmental Management Systems standards. In addition, Health, Safety & Environment committees had been established at respective operating companies to monitor compliance with best practices to ensure the safety of our employees and that of the communities in the areas that we operate in, along with the preservation of our environment.





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



MANAGEMENT DISCUSSION AND ANALYSIS

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 transshipment 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 services across all its five ports 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 that these initiatives will yield positive results 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 transshipment 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 transshipment 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

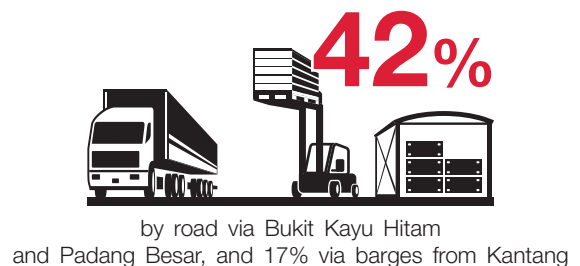
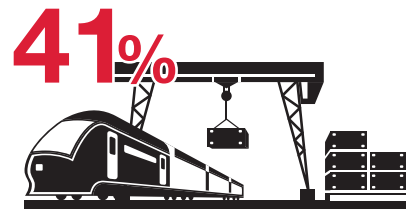
Container volumes for both imports and exports rose by 7% and 6% year-on-year, respectively, boosted by 8% local volume growth from the Penang hinterland as well as a 3% expansion from southern Thailand containers, spurred by the availability of various entry modes including the land bridge from Thung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



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.

MANAGEMENT DISCUSSION AND ANALYSIS

PORTS & LOGISTICS

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 Caribbean's Mariner of the Seas* and *Aida Bella*.



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Thailand 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 transshipment volumes for Port Klang.



**NORTHPORT TOTAL REVENUE
CONTAINER SERVICES
RM475 MILLION**
FROM RM483 MILLION IN 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

PORTS & LOGISTICS



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 transshipment cargo away from Port Klang.

As one of the key operators in Port Klang, Northport saw its transshipment 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 transshipment 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

PORTS & LOGISTICS



WE ARE HUMBLLED 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 transshipment 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 Petroliaam 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 growth likely in the second 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 transshipment 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 PENDERANG 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

PORTS & LOGISTICS

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.

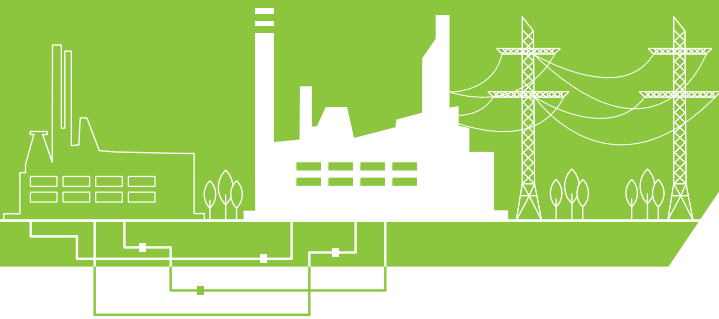
One of the challenges ahead for KNB's haulage business is to expand its assets on the road and to enhance our reliability, which will include further investments to purchase new prime movers and other vehicles. To stay ahead, KNB is also shifting gear towards handling more specialised haulage business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



MORE THAN
4.7 MILLION SQFT
 AREA OF OPEN YARD AND 1 MILLION SQFT
 OF WAREHOUSE AREA. KNB RECORDED
 WAREHOUSE OCCUPANCY OF 80% IN 2017



ENERGY & UTILITIES



- MALAKOFF CORPORATION BERHAD
- GAS MALAYSIA BERHAD





MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS 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.

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.**



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).



MANAGEMENT DISCUSSION AND ANALYSIS

ENERGY & UTILITIES

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%.



2,243KM
NATURAL GAS
DISTRIBUTION
SYSTEM NETWORK
IN 2017



MANAGEMENT DISCUSSION AND ANALYSIS

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.

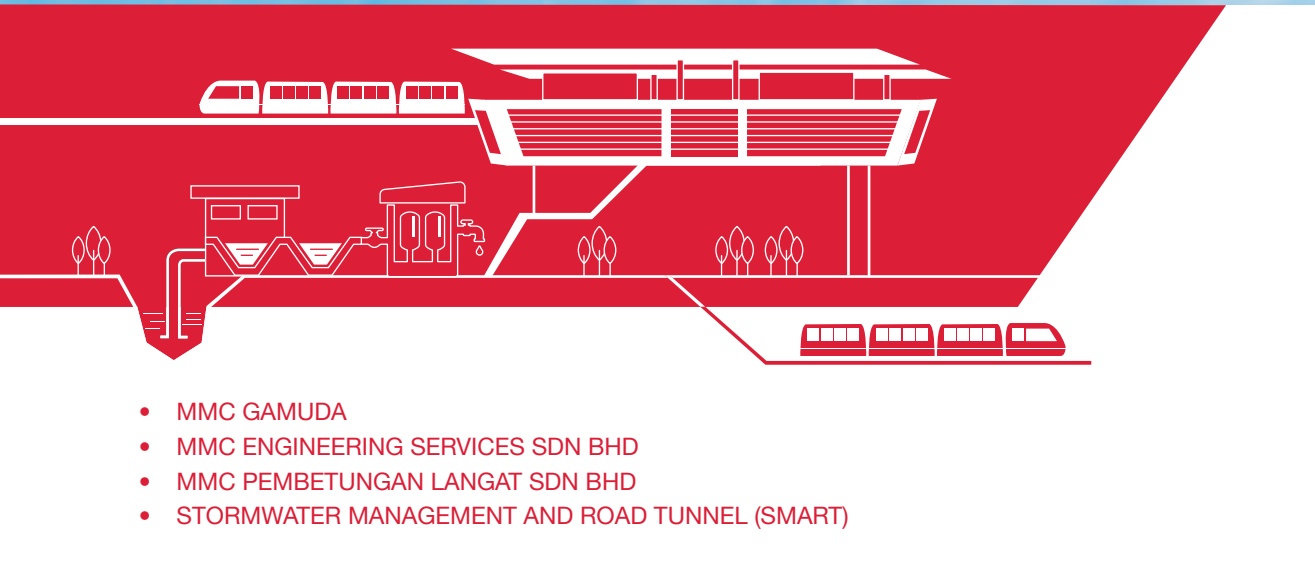
Gas Malaysia shall continue to explore opportunities and mobilise its marketing efforts to further expand the customer base alongside its commitment to providing efficient and reliable service to its customers.

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**

ENGINEERING & CONSTRUCTION



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





MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING & CONSTRUCTION

ENGINEERING AND CONSTRUCTION DIVISION

The Engineering and Construction 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 and Construction 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.

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING & CONSTRUCTION



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.

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING & CONSTRUCTION



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 tunnelling 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.

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING & CONSTRUCTION



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 Pembetulan 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Sibul, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

**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 (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.



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.**

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

Our Engineering and Construction 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.

Lastly, I wish to thank our Chairman and Board of Directors, regulatory bodies, customers, business partners, shareholders and all stakeholders for their support that saw us through various challenges. I am honoured to be able to work together with a dedicated team of management and employees who are steadfast and committed in discharging their responsibilities to bring the Group one step closer to our vision to be the premier utilities and infrastructure group.

DATO' SRI CHE KHALIB MOHAMAD NOH
Group Managing Director



DIRECTORS' PROFILE



TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS

Independent Non-Executive Chairman

Age: 66

Gender: Male

Nationality: Malaysian

Date of Appointment: 16 July 2015

Membership of Board Committees:

- Nomination and Remuneration Committee (Chairman)

Qualifications:

- Masters of Science Degree (MSc.) in Energy Management, University of Pennsylvania, United States of America
- Bachelor's Degree in Political Science and Economics, Universiti Sains Malaysia, Malaysia
- Technical Diploma in Petroleum Economics, Institute Francais du Petrole

Skills, Experience and Expertise:

Tan Sri Dato' Seri Shamsul joined Petroliaam Nasional Berhad (PETRONAS) in 1975. During his forty years' tenure, he has served in various capacities and key positions, including his last held position as the President & Chief Executive Officer of PETRONAS from 2010 to 2015, prior to his appointment as the Group Chairman of MMC Corporation Berhad on 16 July 2015. Under Tan Sri Dato' Seri Shamsul's leadership, PETRONAS undertook strategic landmark projects for the company and for Malaysia such as the Pengerang Integrated Refinery and Petrochemical Project (RAPID), the Bintulu Train 9 Project, PETRONAS Floating LNG Facilities Project and Regasification Terminal in Malacca.

Tan Sri Dato' Seri Shamsul was a Pro-Chancellor of Universiti Teknologi Petronas (UTP) and was a member of Board of Trustees of the Razak School of Government (RSOG). He also served as Chairman of the National Trust Fund of Malaysia.

Directorships:

Listed Entities

- Enra Group Berhad

Public Companies

- NCB Holdings Bhd

Number of Board Meetings attended in financial year ended 31 December 2017:

- 7/7



DATO' SRI CHE KHALIB MOHAMAD NOH

Group Managing Director

Age: 53

Gender: Male

Nationality: Malaysian

Date of Appointment: 1 July 2013

Qualifications:

- Member of Malaysian Institute of Accountants (CA, M)
- Fellow of Association of Chartered Certified Accountants (FCCA, UK) United Kingdom

Skills, Experience and Expertise:

Dato' Sri Che Khalib began his career with Messrs. Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within the Renong Group. In June 1999, Dato' Sri Che Khalib joined Ranhill Utilities Berhad as Chief Executive Officer. He then assumed the position of Managing Director and Chief Executive Officer of KUB Malaysia Berhad. Dato' Sri Che Khalib was then appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad (TNB) on 1 July 2004 where he served TNB for eight (8) years until the completion of his contract on 30 June 2012. He later joined DRB-HICOM Berhad as the Chief Operating Officer of Finance, Strategy and Planning in July 2012.

Dato' Sri Che Khalib was previously a member of the Board and the Executive Committee of Khazanah Nasional Berhad from year 2000 to 2004. He also served as a Board member within the United Engineers Malaysia Group of companies and Bank Industri & Teknologi Malaysia Berhad.

Directorships:

Listed Entities

- Gas Malaysia Berhad
- Malakoff Corporation Berhad

Public Companies

- Aliran Ihsan Resources Berhad
- Bank Muamalat Malaysia Berhad
- Johor Port Berhad
- MMC Engineering Group Berhad
- NCB Holdings Bhd
- Northport (Malaysia) Bhd
- Kontena Nasional Berhad

Number of Board Meetings attended in financial year ended 31 December 2017:

- 6/7

DIRECTORS' PROFILE



DATO' ABDULLAH MOHD YUSOF

Senior Independent Non-Executive Director

Age: 79

Gender: Male

Nationality: Malaysian

Date of Appointment:

31 October 2001

Membership of Board Committees:

- Audit Committee (Chairman)
- Finance, Investment and Risk Committee
- Nomination and Remuneration Committee

Qualifications:

- LLB (Honours) Degree, University of Singapore, Singapore

Skills, Experience and Expertise:

Dato' Abdullah has more than forty-five years of experience as an Advocate & Solicitor. He is presently a partner in the legal firm of Messrs. Abdullah & Zainudin.

Directorships:

Listed Entities

- Aeon Credit Service (M) Berhad
- Zelan Berhad

Public Companies

- Nil

Number of Board Meetings attended in financial year ended 31 December 2017:

- 6/7



DATUK OOI TEIK HUAT

Independent Non-Executive Director

Age: 58

Gender: Male

Nationality: Malaysian

Date of Appointment:

22 May 2008

Membership of Board Committees:

- Audit Committee
- Finance, Investment and Risk Committee
- Nomination and Remuneration Committee

Qualifications:

- Member of Malaysian Institute of Accountants
- Member of CPA Australia
- Bachelor's Degree in Economics, Monash University, Australia

Skills, Experience and Expertise:

Datuk Ooi began his career with Messrs. Hew & Co. Chartered Accountants before joining Malaysian International Merchant Bankers Berhad. He subsequently joined Pengkalen Securities Sdn Bhd as Head of Corporate Finance, before leaving to set up Meridian Solutions Sdn Bhd where he is presently a Director.

Directorships:

Listed Entities

- DRB-HICOM Berhad
- Gas Malaysia Berhad
- Malakoff Corporation Berhad
- Zelan Berhad

Public Companies

- Johor Port Berhad
- Mardec Berhad
- Padiberas Nasional Berhad
- Tradewinds Corporation Berhad
- Tradewinds (M) Berhad
- Tradewinds Plantation Berhad

Number of Board Meetings attended in financial year ended 31 December 2017:

- 7/7

DIRECTORS' PROFILE

**DATO' ABDUL HAMID
SH MOHAMED**

Independent Non-Executive Director

Age: 53

Gender: Male

Nationality: Malaysian

Date of Appointment:

10 August 2009

Membership of Board Committees:

- Finance, Investment and Risk Committee (Chairman)
- Audit Committee

Qualifications:

- Fellow of Association of Chartered Certified Accountants

Skills, Experience and Expertise:

Dato' Abdul Hamid started his career in the accounting firm, Messrs. Lim Ali & Co./Arthur Young, before moving on to merchant banking with Bumiputra Merchant Bankers Berhad. He later moved to the Amanah Capital Malaysia Berhad Group, an investment banking and finance group, where he led the corporate planning and finance functions until 1998, when he joined the Kuala Lumpur Stock Exchange (KLSE), now known as Bursa Malaysia Berhad.

During his five (5) years with the KLSE, he led KLSE's acquisitions of Kuala Lumpur Options and Financial Futures Exchange (KLOFFE), Commodity and Monetary Exchange of Malaysia (COMMEX) and their merger to form Malaysian Derivatives Exchange (MDEX), and the acquisition of Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ). He also led KLSE's demutualisation exercise.

Dato' Abdul Hamid is currently an Executive Director of Symphony House Sdn Bhd.

Directorships:**Listed Entities**

- Pos Malaysia Berhad

Public Companies

- Maybank Investment Bank Berhad

Number of Board Meetings attended in financial year ended 31 December 2017:

- 7/7

**DATO' SITI HALIMAH
ISMAL**

Independent Non-Executive Director

Age: 63

Gender: Female

Nationality: Malaysian

Date of Appointment:

16 July 2015

Membership of Board Committees:

- Finance, Investment and Risk Committee

Qualifications:

- Masters in Management Science M. Sc. (Demography), London School of Economics, United Kingdom
- Diploma in Public Administration, Institute of Public Administration (INTAN), Malaysia
- Bachelor's Degree in Economics (Hons), University of Malaya, Malaysia

Skills, Experience and Expertise:

Dato' Siti Halimah began her career with the Economic Planning Unit (Human Resource Section) under the Prime Minister's Department as a Diplomatic and Administrative Officer (PTD). She subsequently joined the Treasury under the Ministry of Finance as an Assistant Secretary in the Tax Analysis Division and retired as the Under Secretary (JUSA B), in the same division, in June 2015.

Dato' Siti Halimah had served on the Boards of Padiberas Nasional Berhad, Lembaga Hasil Dalam Negeri, Malaysia-Thai Joint Authority (MTJA), Malaysia Industrial Development Authority (MIDA), Halal Development Corporation (HDC), Labuan Financial Services Authority (LFSA) and was an Alternate Director on the Board of PETRONAS.

Directorships:**Listed Entities**

- Nil

Public Companies

- Waqaf An-Nur Corporation Berhad

Number of Board Meetings attended in financial year ended 31 December 2017:

- 7/7

DIRECTORS' PROFILE


**TUAN SYED NAQIZ
SHAHABUDDIN SYED
ABDUL JABBAR**

Independent Non-Executive Director

Age: 46

Gender: Male

Nationality: Malaysian

Date of Appointment:

16 July 2015

Membership of Board Committees:

- Nomination and Remuneration Committee

Qualifications:

- Graduate Diploma in Legal Practice, Australian National University, Australia
- LLB Degree, Australian National University, Australia

Skills, Experience and Expertise:

Tuan Syed Naqiz is a Senior Partner at Messrs. Naqiz & Partners. Having practised law for more than twenty years, he has acquired in-depth knowledge not only on legal intricacies but has also gained a solid knowledge-base on various industries ranging from finance, power, construction, automotive, defense, information technology, telecommunications, hospitality, retail, manufacturing, fast-moving consumer goods (FMCG) and shipping/transport.

Tuan Syed Naqiz sits on the boards of Yayasan Proton, UOB Asset Management (M) Berhad, Boustead Petroleum Sdn Bhd, UOB Islamic Asset Management Sdn Bhd, Kuala Lumpur Business Club and Bumiputra Retailers Organisation.

He is also the Major Shareholder and Director of Bud & Naq Holdings Sdn Bhd, which oversees the operations of several retail and wholesale brands in Malaysia.

Directorships:
Listed Entities

- Nil

Public Companies

- UOB Asset Management (M) Berhad

Number of Board Meetings attended in financial year ended 31 December 2017:

- 7/7


**DATO' IR. JAMALUDIN
OSMAN**

Non-Independent Non-Executive Director

Age: 63

Gender: Male

Nationality: Malaysian

Date of Appointment:

17 May 2017

Membership of Board Committees:

- Audit Committee

Qualifications:

- Registered Professional Engineer with Board of Engineers Malaysia
- Member of Institute of Engineers Malaysia
- Management Development Programme, Asian Institute of Management, Manila, Philippines
- Bachelor's Degree in Civil Engineering, Universiti Teknologi Malaysia, Malaysia

Skills, Experience and Expertise:

Dato' Ir. Jamaludin started his career as a civil engineer with the Development Authority of Pahang Tenggara in 1979 and subsequently, with Dewan Bandaraya Kuala Lumpur. In 1981, he joined PETRONAS as a Project Engineer, after which he spent nineteen years at Syarikat Perumahan Pegawai Kerajaan (SPPK).

This served as a platform for him to nurture his marketing and management skills, which led to his appointment as the Managing Director of SPPK in 1999, and eventually as Group Managing Director (GMD) of renowned Island & Peninsular Berhad, a property developer, in 2005.

With diverse functional and industry background over a period that spans more than three (3) decades, Dato' Ir. Jamaludin has assumed the role of GMD of the I&P Group of Companies (I&P Group) in 2009, with full accountability across the areas of operational excellence, financial controls, strategic planning and human resource development with an excellent track record in providing leadership to the I&P Group, until his retirement on 30 April 2017.

Directorships:
Listed Entities

- Hock Seng Lee Berhad

Public Companies

- Nil

Number of Board Meetings attended in financial year ended 31 December 2017:

- 4/4

DIRECTORS' PROFILE

**MR. TEE BENG THONG**

Independent Non-Executive Director

Age: 51**Gender:** Male**Nationality:** Malaysian**Date of Appointment:**

1 January 2018

Membership of Board Committees:

- Nomination and Remuneration Committee

Qualifications:

- Associate Member of Australian Society of Certified Practicing Accountants
- Bachelor of Business (Accounting), Monash University, Melbourne, Australia

Skills, Experience and Expertise:

Mr. Tee started his career with Messrs. Coopers & Lybrand (now known as Messrs. PricewaterhouseCoopers PLT (PwC)). Thereafter, he went into the distributorship of global FMCG in the Selangor region.

He subsequently joined JM Williams & Associates Sdn Bhd as Senior Consultant/Partner, heading its FMCG and Financial Services Industry's Executive Search assignments for Multinational Corporations across Asia Pacific.

He was later based in Sydney before leaving to set-up Seek Executive Search Sdn Bhd, where he is currently the Managing Director.

Directorships:**Listed Entities**

- DRB-HICOM Berhad

Public Companies

- Padiberas Nasional Berhad

Number of Board Meetings attended in financial year ended 31 December 2017:

- N/A

Save as disclosed, none of the Directors has any family relationship with any Director and/or Major Shareholder of MMC, has any conflict of interest with MMC, has not been convicted of any offense within the past five (5) years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

PROFILE OF KEY SENIOR MANAGEMENT TEAM



MOHD SHAHAR YOPE
Group Chief Financial Officer

Qualification:

- Fellow of the Chartered Association of Certified Accountants.
- A member of the Malaysian Institute of Accountants.

Background:

- Mohd Shahar Yope joined MMC Corporation Berhad as Director Business Development & International Business on 4 August 2014 and subsequently assumed the position of Group Chief Financial Officer effective 1 September 2014.
- Prior to joining MMC, Mohd Shahar was with Telekom Malaysia Berhad as General Manager, Business Finance, TM Government. He began his career at Ernst & Young, Kuala Lumpur in 1988 and has since served various organisations such as Gopeng Berhad, Lankhorst Berhad (now known as ARK Resources Berhad) and KUB Malaysia Berhad.
- In 2005, Mohd Shahar joined Telekom Malaysia initially as their General Manager, Business Planning.

Directorship:

- Mohd Shahar sits on the board of Northport (Malaysia) Bhd, Kontena Nasional Berhad, MMC Utilities Berhad, Kramat Tin Dredging Berhad, Southern Malayan Tin Dredging (M) Berhad and SPJ Corporation Berhad.



IAN JAMES
Group Chief Executive Officer
MMC Port Holdings Sdn Bhd

Qualification:

- Master Mariner
- Master of Science in International Transport from the University of Wales College of Cardiff.
- Attended the Senior Management Development Programme organised by the Harvard Business School Alumni Club of Malaysia in collaboration with senior facility members of the Harvard Business School, Boston, US in 2014.

Background:

- Ian James joined MMC Port Holdings Sdn Bhd on 4 January 2016 as Group Chief Executive Officer. Prior to joining MMC Port Holdings Sdn Bhd, Ian James was the Chief Operating Officer and Projects Director at Westports Malaysia.
- Ian James began his career as deck cadet officer in 1981 rising to the rank of Acting Chief Officer with Neptune Orient Line serving on container, tanker and general cargo vessels.
- Ian James had since then held a number of senior management positions in his previous employment at DB Schenker, PSA Singapore Terminals and United Arab Shipping Company.

Directorship:

- Ian James sits on the board of Northport (Malaysia) Bhd, Kontena Nasional Berhad and Johor Port Berhad.



MOHD RAZIN GHAZALI
Chief Operating Officer
Technical & Engineering

Qualification:

- Executive Master of Business Administration from Open University Malaysia.
- Bachelor of Science in Civil Engineering from the Old Dominion University, Norfolk, USA.

Background:

- Prior to joining MMC Corporation Berhad, Mohd Razin has worked with several local and multinational organisations including as the Executive Director, Operation of Ahmad Zaki Resources Sdn Bhd, Managing Director of UEM Builders Berhad, Director of Programme Management for MMC Saudi Arabia LLC and Chief Executive Officer/Country Director of IJM Construction (Pakistan) Pvt Ltd.
- Mohd Razin has also worked in various capacities in IJM Construction and was involved in numerous acclaimed projects.
- Some of the projects that he was involved are Penang Second Bridge, Terminal Building for KLIA2, Brunei Housing Project, Chipali Project in Indonesia, Bayan Lepas Expressway, fourth lane widening for PLUS Highway from Shah Alam to Seremban, Workers Housing Complexes in RAPID, Pengerang, Government Office Complex (Parcel E) and the Alam Warisan Development in Putrajaya.
- Mohd Razin has been involved in the engineering and construction industry for more than 30 years.

Directorship:

- Mohd Razin does not hold any directorship in any public companies and listed companies.

PROFILE OF KEY SENIOR MANAGEMENT TEAM



IR. CHEE WENG LOON
Director, Engineering & Construction

Qualification:

- Bachelor of Engineering (Civil) from the National University of Singapore in 1989.
- Master of Science specialising in Structures from the National University of Singapore in 1994.
- Registered Professional Engineer with the Board of Engineers, Malaysia.
- A member of the Institute of Engineers, Malaysia.

Background:

- Ir. Chee Weng Loon is the Director, Engineering & Construction at MMC Corporation Berhad. Prior to this, he was the General Manager, Projects in the Project Development and International Business divisions since January 2008.
- Before joining MMC, Ir. Chee was with IJM Construction Sdn. Bhd. as Senior Project Manager and managed the construction of Binjai KLCC Condominium, CIMB Bank Headquarters and Park Seven Condominium projects. He was also one of the pioneer team members from KLCC Projekts Bhd and was involved in the overall planning, development and project management of the infrastructure for Putrajaya Development project from 1996 to 2002. From 2003 to 2004, he was seconded to EMAAR Properties PJSC from KLCC Projekts Bhd as the Development Manager for the development of the Burj Khalifa Tower which is currently the tallest building in the world in Dubai, United Arab Emirates.

Directorship:

- Ir. Chee does not hold any directorship in any public companies and listed companies.



DR. MABEL LEE KHUAN EOI
Director, Group Treasury

Qualification:

- Bachelor of Accounting (First Class Honours) from University of Malaya.
- MBA (with Distinction) from University of Hull, United Kingdom.
- Doctor of Business Administration from University of Newcastle, Australia.
- A Chartered Financial Analyst charterholder.
- A member of Malaysian Institute of Accountants, Asian Chartered Institute of Bankers, London Institute of Banking & Finance and Chartered Institute of Management Accountants (Chartered Global Management Accountant).
- A certified Project Management Professional and a Certified Business Coach.

Background:

- Dr. Mabel Lee, is the current Director of Group Treasury at MMC Corporation Berhad. Prior to joining MMC, Dr. Mabel has worked with JP Morgan Chase's Kuala Lumpur office as Vice President of its Investment Banking Division.

Directorship:

- Dr. Mabel sits on the board of Kramat Tin Dredging Berhad.



LUCY WONG KAM YANG
Chief Internal Auditor

Qualification:

- Master in Business Administration from Charles Sturt University, Australia.
- A fellow member and Chartered Global Management Accountant of the Chartered Institute of Management Accountants.
- A Chartered Accountant with the Malaysian Institute of Accountants.
- A chartered member of the Institute of Internal Auditors Malaysia.
- A Certified Internal Auditor and has a Certification in Risk Management Assurance from the Institute of Internal Auditors Inc, United States of America.

Background:

- Lucy is the Chief Internal Auditor at MMC Corporation Berhad. Prior to joining MMC, she was the Chief Internal Auditor of Tenaga Nasional Berhad.
- Lucy has also worked in Project Lebuhraya Utara Selatan Berhad, Metramac Corporation Berhad, HBN Management Sdn Bhd (Renong Berhad) and as General Manager for Group Internal Audit at UEM Group Management Sdn Bhd.
- Lucy is the immediate past President of the Institute of Internal Auditors Malaysia. She was a member of the Working Group for Anti Bribery Management System, representing Malaysia in the review of the Draft International Standard (DIS) of ISO 37001 – Anti Bribery Management System.

Directorship:

- Lucy does not hold any directorship in any public companies and listed companies.

Additional Information on the Management Team:

- None of the Management Team has any family relationship with any Director and/or Major shareholder of MMC.
- None of the Management Team has any conflict of interests with MMC.
- Other than traffic offences, none of the Management Team has been convicted for any offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the Financial Year under review.

SUSTAINABILITY STATEMENT

COMMITTED TO CREATING SUSTAINABLE VALUE

The MMC Group's Sustainability Statement ("Statement") underscores our commitment to operate in a responsible and sustainable manner based on a triple bottom-line of Economic, Environmental and Social ("EES") pillars. The Group is committed to creating long-term shared value for our stakeholders and securing the future of the Group by prioritising responsible management and sustainable development.

The respective businesses within the MMC Group continues to work together – leveraging on each other's strengths and resources to embed business sustainability within their organisations. This focus on sustainable progress is helping to drive operational excellence as well as providing the impetus for the Group's businesses to make continuous improvements to strengthen business efficiency.

SCOPE AND METHODOLOGY

The Statement covers the period from 1 January to 31 December 2017. It highlights the business sustainability activities of specific components of the MMC Group, namely MMC Corporation Berhad and the operating companies within the Group's Ports & Logistics, Engineering & Construction as well as its Property divisions.

This Statement excludes the sustainability activities of Malakoff Corporation Berhad and Gas Malaysia Berhad, which are public listed companies and will be producing their own sustainability reports.

In ensuring consistency in reporting and to continue enhancing its present sustainability agenda and initiatives, the Group has retained its present scope for the financial year.

This Sustainability Statement is to be read in conjunction with the rest of MMC Corporation Berhad's 2017 Annual Report. To avoid content overlap, certain parts of this Statement may make references to existing content within other sections of this Annual Report.

This Statement has been prepared in line with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad.

OUR APPROACH TO SUSTAINABILITY

Sustainability Governance

MMC's commitment towards sustainable growth is evident throughout all levels of our organisation. At the leadership level, MMC's Board of Directors ("the Board") and our senior management acknowledge the importance of pursuing an agenda that upholds good sustainability practices to create value for all stakeholders.

The Finance, Investment and Risk Committee ("FIRC"), which consists of selected members of the Board, is tasked with overseeing sustainability practices within the Group as part of the agenda. The FIRC convenes every quarter and is chaired by one of the members of the Board. In attendance, by invitation, are the Group Managing Director, Group Chief Financial Officer, Group Chief Internal Auditor, Group Company Secretary and Head of Group Risk Management.

Disclosure and Limitations

We recognised the importance of ensuring the credibility of our published Sustainability Statement and we are gearing towards improving our sustainability data collection and monitoring activities across the MMC Group.

MMC is committed to integrating the sustainability agenda into its overall strategy and operations in a more distinct manner for the long-term as we acknowledge this as the key to the continued success of our businesses.

Going forward, we will focus on delivering a more comprehensive Sustainability Statement.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS / KEY RISKS

MMC has commissioned a materiality survey to identify the Group's key materiality matters. The survey evaluated 30 sustainability areas within the EES pillars with 20 identified as the most material to the group for 2017 (refer to table 1).

The identification of materiality matters and a clear understanding of its impact and relevance to MMC are of vital importance in steering our sustainability strategy. Beyond addressing potential and probable impacts on our EES pillars, this process allows for the creation of shared value that ultimately delivers significant strategic advantage to the Group. These include increased efficiency and productivity, the creation of a conducive working environment, fostering better relationships with stakeholders, attracting more investors, business partners and talent, reducing risk exposure and ultimately bolstering our strength and presence in our chosen industries.



Table 1: Key materiality matters

The Group is working towards prioritisation of its materiality matters but given the complexities of each identified component and the diversity contained, the process is on-going. We are cognisant of the value of having a matrix that allows us to better focus resources in addressing the most vital of issues and will continue to develop one going forward.

The following are the Group's key risks areas.

Strategic

- Adoption of new Government policies and regulations
- Viability of new and current investments

Operational

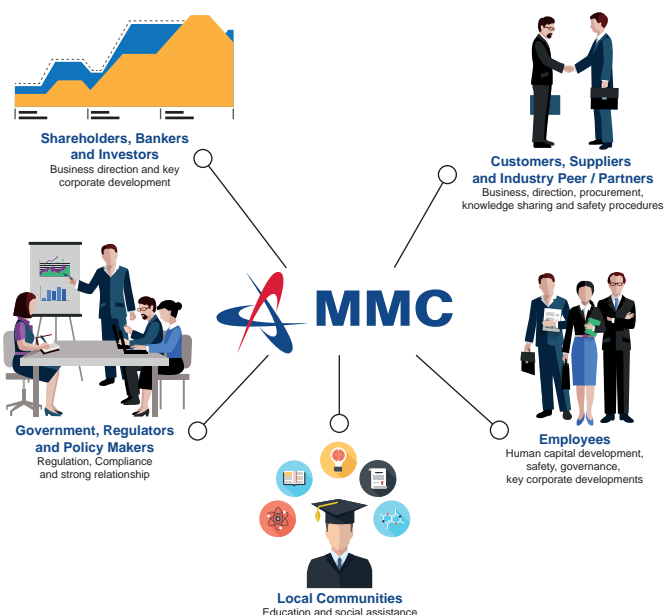
- Breach of system and data security
- Delays in project completion and cost overruns
- Accidents leading to fatalities and major environmental impact

External

- Security breaches and acts of terrorism
- FOREX volatility

STAKEHOLDER ENGAGEMENT ACTIVITIES

As the Group's businesses and markets evolve, we remain committed to engaging with our diverse stakeholder groups. Through proactive engagement with them, we are able to respond to their expectations, meet their changing needs and strengthen our ties with them. Our stakeholder engagement is largely led by the respective business units.



SUSTAINABILITY STATEMENT

Platforms and Tools Utilised

- Regular shareholder communications / announcements on Bursa Malaysia and MMC's corporate website
- Annual General Meetings
- Quarterly and annual statements
- Periodic engagements with equity analysts and fund managers
- Meetings, participation in exhibitions, site visits and case studies
- Town hall / Dialogue sessions, networking lunches / dinners and festive gatherings
- Regular communication via email blasts and quarterly publications
- Training and development initiatives
- Participation in CSR programmes
- Motivational camps and sports activities
- Welfare contributions

ECONOMIC PILLAR

This section provides insights into our interactions with the marketplace ecosystem and describes how our business activities influence economic conditions of various stakeholders.

OUR BUSINESS STRATEGY

The MMC Group continuously reviews and refines its strategic direction and initiatives towards ensuring sustainable growth for our core businesses. These are our Ports and Logistics, Energy and Utilities and Engineering and Construction divisions.

Aside from concerted efforts to grow the Ports and Logistics division, there is also much emphasis on expanding the Group's Energy and Utilities capacity; capitalising on large-scale Engineering and Construction projects; and innovating the development of Senai Airport City. We continue to make solid progress in each key focus area.

Please refer to the Management Discussion and Analysis section on page 20 to 57 of this Annual Statement for relevant updates on our overall direction as well as financial and operational performance of various divisions.

UPHOLDING GOOD MARKETPLACE PRACTICES AND CORPORATE GOVERNANCE

The MMC Group has in place a set of values and several policies to guide us in our day-to-day operations and to ensure we uphold good marketplace behaviour. Internally we have our INTEC (Integrity, Innovation, Teamwork, Excellence and Commitment) Values, the MMC Group Procurement Policy and MMC Competition Compliance Policy, among other internal guidelines.

Externally, the following policies are available for viewing on the MMC's Corporate website under the "Corporate Governance" section i.e. Board Policy Manual, Whistleblowing Policy, Code of Ethics, Corporate Disclosure Policies and Procedures, Related Party Transaction Policies and Terms of Reference and Procedures.

In line with the new Malaysian Code of Corporate Governance 2017 ("Principles"), the Group continues to strengthen its internal framework to comply with the practices stipulated in the Principles.

PORTS AND LOGISTICS

Malaysia's Socio Economy

For the year 2017, Malaysian economy recorded a growth of 5.9 percent, compared to a 4.2 percent growth in 2016. Private sector demand continued to be the primary driver of growth, with further support from the external sector.

Going forward, the Malaysian economy is expected to remain favourable in 2018, with domestic demand continue to be the key driver of growth. The expected faster expansion in global growth would continue to benefit Malaysia's exports, with positive spillovers to the domestic economic activity.

Under the Third Industrial Masterplan, container volume is projected to reach 36.6 million TEUs (58% transshipment, 48% local) by 2020. In 2017, volume handled at Malaysian ports totaled 23.78 million TEUs. The port and logistics industry are expected to be a major facilitator towards realising the Third Industrial Masterplan.

MMC PORT HOLDINGS SDN BHD

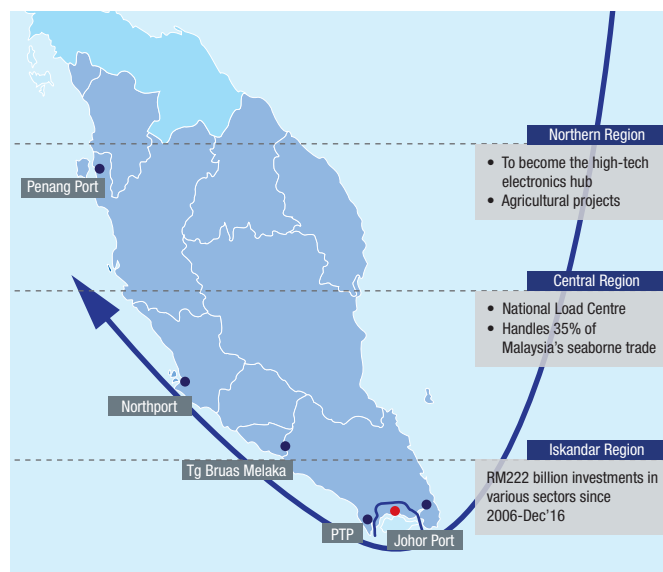
MMC Port Holdings Sdn Bhd (MMC Ports) vision is to be the Premier Global Integrated Logistics Service Provider, poised as a one-stop logistics hub in Malaysia. Currently, MMC Ports operates Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) one of Malaysia's leading container terminals, Johor Port Berhad (JPB) Malaysia's premier multi-purpose port, Northport (Malaysia) Bhd (Northport) Malaysia's preferred gateway terminal in the Central region, Penang Port Sdn Bhd (Penang Port) Malaysia's northern Gateway and Tanjung Bruas Port Sdn Bhd (Tanjung Bruas Port). Internationally, MMC Ports has presence in Saudi Arabia via Red Sea Gateway Terminal Company Limited, a container port terminal within the Jeddah Islamic Port.

Capitalising on the strategic locations of its ports along the Straits of Malacca - one of the most important shipping lanes in the world that links the Indian Ocean and the Pacific Ocean - MMC Ports is able to provide door-to-door premier services to its customers.

SUSTAINABILITY STATEMENT

MMC Ports has undertaken a major step in consolidating and streamlining the operation of the ports under the stable of the MMC Group. It is also in the final stage of consolidating and streamlining its logistics arm, Kontena Nasional Berhad (Kontena Nasional) and JP Logistics Sdn Bhd (JPL Logistics) capitalising on its existing brand name, geographical presence and strength.

Ports are strategically located on the more industrialised southern, northern and western coast



5 Terminals in Malaysia and 1 in Jeddah

SENAI AIRPORT TERMINAL SERVICES SDN BHD

Senai International Airport, (Code IATA: JHB; ICAO: WMKJ) is the domestic and international airport serving Johor Bahru and the southernmost region of Peninsular Malaysia. As at 31 December 2017, Senai International Airport handled a total of 3.1 million passengers.

The increase in economic activities within Iskandar Malaysia has catapulted the demand for air travel. Passengers travelling through Senai Airport grew from 1.4 million passengers in 2012 to 3.1 million in 2017, a 18% Compounded Average Growth Rate (CAGR).

In 2017, Senai International Airport renovated the airport terminal to improve airport security and to accommodate the increase in passenger movements due to the introduction of new destinations and additional flight frequencies to existing destinations.

The upgrading works included the segregation of the international and domestic departure halls, additional check-in counters, baggage handling system, security x-ray machines, closed-circuit television and Flight Information Display System. The renovation provide an additional 5,505.4 sq ft of new leasable retail space at the departure hall, bringing the total up to 16,042.7 sq ft.

On 6 February 2018, Senai International Airport was selected as the first airport in Malaysia to pilot AirAsia's Fast Airport Clearance Experience System (FACES), Malaysia's first airport facial recognition system with self-boarding gate.

Passenger traffic is forecasted to reach 4.5 million in 2020 and grow at 13% CAGR over the next 5 years.

As Malaysia's fifth busiest airport (after Kuala Lumpur, Kota Kinabalu, Penang and Kuching), Senai International Airport is committed to supporting Iskandar Malaysia's role as the main southern development economic corridor, especially in the trade and tourism sectors while providing a source of employment.

Aircraft Movements

Senai International Airport is connected to 11 domestic and 7 international destinations through 4 airlines – AirAsia, Malaysia Airlines, Malindo Air and Firefly. On average, there are 94 commercial flight movements per day and 47 movements of non-commercial aircraft.

The total aircraft movements in 2017 increased by 9.25% as compared to 2016.

ENERGY AND UTILITIES

As mentioned earlier, this Statement excludes content on the operating companies under the Energy & Utilities division primarily due to Malakoff Corporation Berhad and Gas Malaysia Berhad providing disclosure in their respective Sustainability Statements. However, please refer to the MD&A section of this Annual Report for the financial and operational performance of the division.

SUSTAINABILITY STATEMENT

ENGINEERING AND CONSTRUCTION

In 2017, the construction industry was forecasted to have a steady stream of growth at a rate of 8%, relatively higher than the statistical recorded growth of 7.4% in 2016. The public sector has embarked on numerous infrastructure projects across the country in order to provide new jobs, enable skill transfer, increase connectivity and stimulate knowledge-based transformation throughout the country.

The key stakeholders of the construction industry will be well placed to benefit from a number of mega infrastructure projects rolled out by the Malaysian Government, particularly those who have a proven track record in rail construction projects.

At MMC, our Engineering & Construction division has further established itself in Malaysia's construction industry following the successful completion of the Stormwater Management and Road Tunnel (SMART) Motorway in 2007, Ipoh-Padang Besar Electrified Double Tracking Project in 2014 and the 51km Klang Valley Mass Rapid Transit (KVMRT) project (Sungai Buloh- Kajang Line) in 2017.

MMC's Engineering & Construction division aspires to be a premier engineering and construction group by adopting innovative and prudent engineering and construction methods to maximise value for all shareholders. Today, the multi-disciplinary services provided by MMC's Engineering & Construction division cover project delivery partner management, project management, major infrastructure civil and structural works such as metro and railway works, specialised heavy engineering and construction works, highway, sewerage pipeline and treatment plants, water treatment facilities, marine and coastal works such as those for reclamation and wharf, onshore port facilities and gas pipelines and electrical and instrumentation installation.

For this Statement, the Engineering & Construction division will focus solely on the Langat Sewerage Project ("Langat Sewerage").

MMC Pembetungan Langat Sdn Bhd (MMC PLSB)

The Langat Sewerage Project is one of the Greater Kuala Lumpur's anchor projects and was awarded to MMC PLSB by the Ministry of Energy, Green Technology and Water (KeTTHA) in 2015. Upon completion, the project will connect more than a thousand manholes that integrate hundreds of small inefficient multipoint sewage treatment plants; and will link directly into one centralised location. The facility which will accommodate an inflow of 920,000 population equivalent (PE) is built to immediately reduce multipoint pollutant discharge into the Langat River.

Awarded contracts by MMC PLSB can be categorised into three sections: Works, Services and Supplies. We have identified Bumiputera and Non-Bumiputera Contractors for the total works awarded while another segment can be classified based on local and imported suppliers. Good relations with these local firms is a vital component in developing local economies and building relationships with local communities.

GROUP PROPERTY

Group Property owns and manages more than 5,000 acres of industrial developments namely Senai Airport City, Tanjung Bin Petrochemical & Maritime Industrial Centre (TBPMIC) and Northern Technocity (NTC) via its subsidiaries, Senai Airport City Sdn Bhd (SACSB), Seaport Worldwide Sdn Bhd (SWW) and Northern Technocity Sdn Bhd (NTCSB) respectively. Both Senai Airport City and TBPMIC are located in Iskandar Malaysia, Johor, whilst NTC is located in Kulim, Kedah.

Senai Airport City Sdn Bhd and Seaport Worldwide Sdn Bhd as a Nation Builder

Group Property plays a vital role in bringing in investors from various industries to the industrial developments to boost the economies in Iskandar Malaysia particularly and Malaysia generally. Towards this end, since 2012, Group Property has successfully brought in various established business operators, manufacturers and reputable developers into the industrial developments.

SACSB had secured foreign direct investment for Senai Airport City with Hershey Malaysia Sdn Bhd, making it the largest Hershey Chocolate Factory in Asia. Additionally, investment from reputable developers such as EcoWorld Development Group Berhad and Iprak Sdn Bhd to develop industrial parks with ready-built factories, are targeted at the small-medium industries and enterprises providing supply chain for upstream and downstream services in the local industries.

Similarly in TBPMIC, ATT Tanjung Bin Sdn Bhd (ATB), a company wholly-owned by Vitol Tank Terminals International BV, has been operational since 2012.

Northern Technocity Sdn Bhd as a Supporting Developer to Complement the Ecosystem

NTC development is a land bank developed by NTCSB. Measuring 350 acres, the freehold land is located strategically within Kulim Hi-Tech Park (KHTP) in Kedah, the only high technology park in Malaysia.

NTC is anticipated to further boost the economic growth in Kulim. The development of NTC as a complementary industrial park to KHTP will attract small and medium enterprises to set up their operations towards supporting the many multinational companies operating in KHTP.

SUSTAINABILITY STATEMENT

Senai Airport City and Bukit Amber Interchange at KM10.95 (Exit254A)

Since its opening in October 2016, the RM105 million interchange enables direct access from Senai Airport City to the North-South Expressway which leads to the Malaysia-Singapore Second Link (Linkedua) and Johor Bahru City into Singapore.

The interchange also shortens travelling time by 10 minutes for the communities residing in the surrounding areas to of Senai PTP, JPB and Johor Bahru. This extensive connectivity boosts the economic activities in the surrounding areas by providing easy access to the business areas.

ENVIRONMENTAL PILLAR

This section describes our interaction and business impact on living and non-living natural systems.

GOOD ENVIRONMENTAL PRACTICES

In operating our businesses, we are committed to protecting the environment and complying with all applicable environmental laws and regulations. As part of our efforts to ensure a healthy and safe environment for our stakeholders, we continue to put in place the relevant measures to protect and preserve our environment. The following highlights our approach to environmental protection.

REDUCTION OF ENERGY CONSUMPTION

Managing energy consumption is a priority for MMC and its operating companies to promote sustainable operations and efficient use of energy resources. The approach taken by MMC and its operating companies is to mitigate the negative impacts of uninhibited energy usage.

Key Projects and Initiatives

- **Variable refrigerant**
 - i. Using the environmentally friendly R410A Variable Refrigerant Flow which allows one outdoor condensing unit to be connected to multiple indoor evaporators.
 - ii. Installation of the Variable Refrigerant Volume air conditioner system in Senai Business Aviation Terminal allows precise individual control and inverter technology.
- **Energy saving lights**
 - i. Prismalence Booster energy saving lights for quay crane flood lights and high masts. 210 watts for cranes and 315 watts for high masts.
 - ii. Gradual installation of energy saving Light-Emitting Diode (LED) bulbs in Senai Airport to replace the conventional bulbs inside the terminal building within the next 5 years.

- **Switch-off timer:** Switch-off timers to automatically switch off light masts, car park lighting, street lighting and air conditioners.
- **Energy usage monitoring:** MMC PLSB monitors its energy usage at Langat Sewerage on a monthly basis to ensure that the consumption does not exceed the normal range.
- **Natural lighting:** Maximise the entry of sunlight in the office building for effective internal lighting, thus minimising the need for artificial lighting.
- **Systematic Arrangement on the usage of Heavy Machinery:** Systematically planned movement including optimising shorter routes and rearranging the work flow with savings on consumption.
- **Electrified Rubber Tyre Gantry (E-RTG) cranes:** Northport and PTP are using E-RTG's in their yard operations. Using new lithium-ion battery technology and optimised charging technology, cranes can now travel up to 1,500m on power from the energy-storage system.
- **Prime Mover Fuel Efficiency:** Engines older than 5 years are replaced with new engines. Prime movers older than 10 years are replaced with newer ones.
- **Multi-trailer System (MTS):** Enable simultaneous transportation of two forty-foot containers using only one prime mover.

REDUCING GREENHOUSE GAS (GHG) EMISSIONS

MMC Ports have been using a carbon accounting system to measure the amount of carbon dioxide emissions in all of its ports based on diesel and electricity consumption.

The carbon accounting is calculated and compiled periodically by the respective HSE Departments in their respective terminals. The carbon accounting data is analysed and shared with the various departments as well as with external project stakeholders.

Periodic meetings are held with key stakeholders to plan and review carbon footprint reduction projects and initiatives.

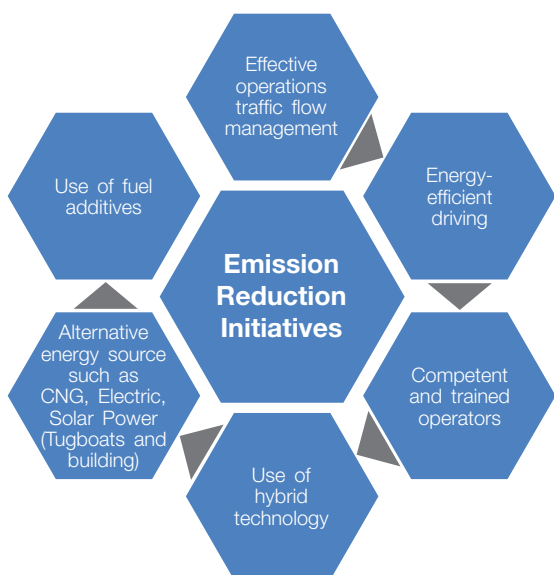
MMC Ports have also taken steps to tackle CO₂ emissions and developed equipment that inventorise carbon emissions into the atmosphere.

SUSTAINABILITY STATEMENT

Key Projects and Initiatives

Among the emission reduction initiatives under our ports are:

- Installation of gadgets at the discharging point and at the end users' intake conveyor system.
- Regular Puspakom inspection to ensure prime movers comply with emission standards.
- Collaboration with the port authorities to develop;
 - i. Ship Emissions Analysis Project
 - ii. Development of Online System
 - iii. Non-Shipping Emission Analysis.



Emission reduction initiatives practiced by MMC Ports

HABITATS PROTECTED OR RESTORED

The MMC Group is committed to conserving the ecology and biodiversity by identifying, protecting and maintaining high conservation value areas. We have in place several initiatives to protect or restore the habitats within our operations.

Key Projects and Initiatives

- CSR Programme on Seagrass Meadows. This is a scientific study in collaboration with University Putra Malaysia to protect the seagrass meadows and its habitat around our port vicinity.

- Baseline Study for Compliance with International Convention "The Control and Management of Ship's Ballast Water and Sediment 2004".
- Close engagement with the authorities to address the discharge of gray water from vessels within the port limit.

WASTE MANAGEMENT METHODS

MMC together with its operating companies maintain a comprehensive scheduled waste management programme to handle waste generation, storage and disposal on a daily basis. Management of scheduled wastes is in compliance with the Environmental Quality (Scheduled Wastes) Regulation 2005 (EQSWR2005).

Waste discharged from Senai Airport for example, is managed based on environmental statutory law, using Control of Pollution from Solid Waste Transfer Station and Landfill Regulation 5 as a guideline.

Key Projects and Initiatives

All rules and regulations pertaining to waste management are strictly adhered to and the guidelines diligently followed. Among the initiatives by the operating companies are;

- Implementation of electronic paperless processing and systems into business processes.
- Conducting new technical workshops to introduce new technology and best practices.
- Training for key employees handling scheduled wastes.
- Engagement with the airport tenants and community to educate and ensure that all wastes are being treated and discharged responsibly.
- Gradual imposition on the usage of transparent waste bags for the airport tenants and community to encourage waste segregation and to identify potential hazards, such as broken glass, needles and other sharp items that could potentially cause injuries.
- Mitigate construction waste at Langat Sewerage through proper planning, strict supervision and effective communications between project teams. A licensed scheduled waste contractor has been engaged to manage and dispose the scheduled waste according to the Department of Environmental (DOE) strict regulations.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL IMPACT MITIGATION OF PRODUCTS AND SERVICES

Key Initiatives and Approaches Towards A Sustainable Environment

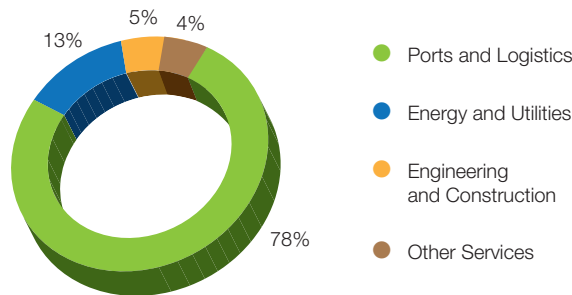
In compliance with the Environmental Impact Assessment (EIA) conditions of approval as outlined by the DOE Malaysia, we carried out the Environmental Management Plan (EMP), covering water quality, noise level and air monitoring to ensure that the surrounding ecosystems are not affected by our development and are within acceptable standards in accordance to Malaysia Ambient Air Quality Guidelines and National Water Quality Standard.

SOCIAL PILLAR

Our People

The workforce of the MMC Group is made up of 12,085 employees (excluding joint venture companies) consisting of people from various demographics located throughout our diversified business; 76% of our employees are in the Ports & Logistics division, 13% work for the Energy & Utilities division, 8% are in the Engineering & Construction division and the remaining 3% are employed in the Other Services portfolios.

MMC Group Workforce

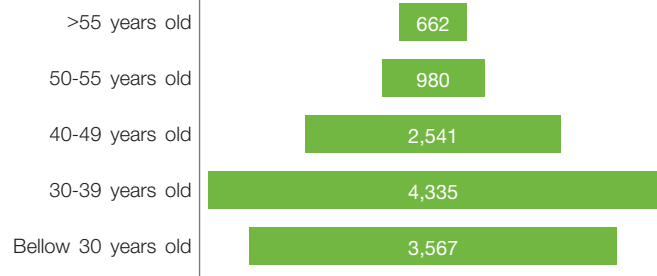


Diversity and Inclusion

We are committed to creating a working environment of diversity and inclusion where candidates and employees are assessed based on merit without any bias whatsoever towards ethnicity, gender, age, physical ability, cultural and social backgrounds. We provide equal opportunity for recruitment, development, promotion and reward.

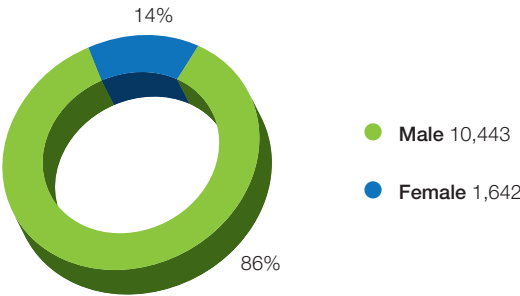
Creating diversity remains a long-term plan and the Group is committed to progressively strive towards this objective.

Age Demography



The nature of our businesses and our portfolios has naturally led to a higher percentage of male employees. Nevertheless, we strive to at least maintain, if not increase, the number of female employees within the Group.

Gender



20% of our Senior Management positions across the Group; i.e. General Manager and above positions are represented by female employees.

SUSTAINABILITY STATEMENT

Rewards and Recognition

MMC implements a competitive reward system where a blend of monetary and non-monetary rewards are offered to employees. MMC believes that people are the driving force in ensuring the Group's continued growth and sustainable profits. Improving the Employee Value Proposition remains a pivotal Human Capital strategy.

For 2017, we focused on improving our non-monetary staff policies. The revised benefits include the introduction of dual working hours and improvements in our staff leave structure. We offer more compassionate leave, additional days for special paid leave, paternity leave and marriage leave.

Meanwhile, we continue to reward talent and high performance within the context of our performance driven culture.



MMC's Perimeters of Measuring Talent Potential

Succession Planning and Leadership Development

Succession planning has long been a component of MMC's overall talent management strategy. This is to ensure that we have a pool of ready and available leaders with the desired competencies, attitudes and values that support our business objectives and goals.

We are committed to building the aggregate pool of talent for MMC's talent pipeline. Employees with high potential are given the opportunity to advance and are groomed to become future leaders capable of filling key positions within MMC.

EMPLOYEE ENGAGEMENT

Programmes

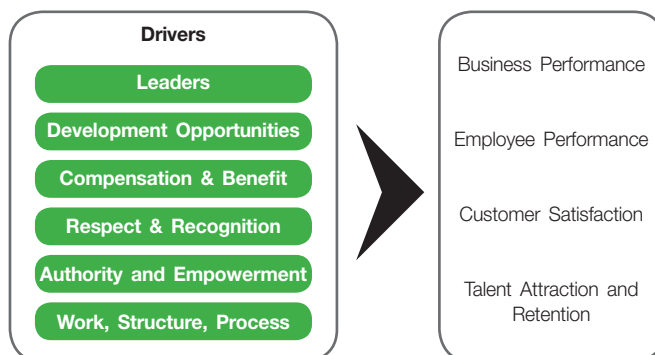
We strive to provide a fulfilling working environment to ensure that our employees are connected, motivated and productive.

Towards this end, various functional, spiritual, social and philanthropic activities are organised for the benefit of employees.

This provides them with opportunities for personal growth and self-development, to network and mingle with colleagues and achieve better work life balance.

Employee Feedback

We conduct regular employee engagement surveys to gauge the satisfaction and engagement levels of our staff. We measure these against drivers that would help the company to promote the high engagement and enablement of employees.



Training and Development

We provide ample career and development opportunities within the Group such as cross company projects and assignments, coaching, mentoring, secondment opportunities, internal and external training and many more.

Several learning platforms are available to different groups and levels of staff such as mentoring, leaders as teachers sharing sessions, lunch and learn meets, roundtable discussions, short talks and networking sessions to maximise learning and make it fun and impactful.

In encouraging our people to further their academic qualifications and to prepare them to assume higher positions and take on more challenging roles within the MMC Group, we provide financial education assistance to those pursuing part time certificate / diploma / bachelor's degree / master's degree and professional certification courses.

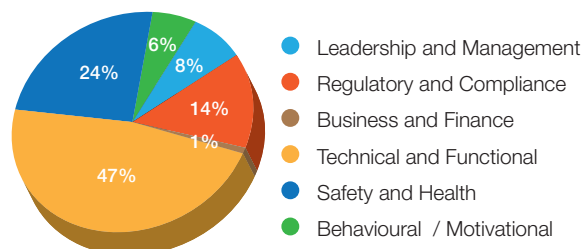
SUSTAINABILITY STATEMENT



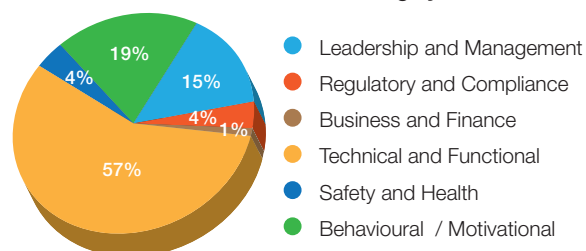
EES Index 2014/2015: 66.35%

EES Index 2016/2017: 79%

Type of Training Organised by %



Total Amount Invested in Training by %



**MORE THAN
RM2.9 MILLION**

Invested on Training
and Development



**AN AVERAGE
OF 21.75**

Learning Hours per
Staff Recorded



**OVER
257,000**

Learning Hours
Achieved



TRAINING AND DEVELOPMENT ACTIVITIES

MMC's training focuses on the following elements:

1. Leadership and Management
2. Regulatory and Compliance
3. Business and Finance
4. Technical and Functional
5. Safety and Health
6. Behavioural and Motivational

Listed below are some examples of training programmes conducted:

Leadership and Management	<ul style="list-style-type: none"> • Mentoring for Mentors on 18-19 January 2017 and 24-25 July 2017 • Managing Staff Productivity and Performance Issues on 3-4 October 2017
Regulatory and Compliance	<ul style="list-style-type: none"> • Updates on Rules and Regulations for Freezone on 4 April 2017 • Companies Act 2016 on 16 February 2017
Business and Finance	<ul style="list-style-type: none"> • Islamic Banking and Finance: Knowledge Sharing and Updates on 17 March 2017
Technical and Functional	<ul style="list-style-type: none"> • Warehouse Management on 24-25 July 2017 • Innovative & Creative Circle (ICC)- Understanding & Implementation Guides and Its Tools & Techniques on 23-24 August 2017 and 13-14 September 2017
Safety and Health	<ul style="list-style-type: none"> • HSE (Emergency Response Plan + Cardiopulmonary Resuscitation Awareness) on 29 March 2017 • Safety Talk on Fire Prevention for Office and Household on 11 October 2017
Behavioral and Motivational	<ul style="list-style-type: none"> • Integrity Talk on 23-24 January 2017 • Roundtable discussion and talk with The Institution of Engineers Malaysia on 20 February 2017

SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY (OSH)

At the MMC Group, we continuously monitor Health and Safety Performance organisation-wide to ensure high-risk activities are effectively managed to protect our people, assets and environment.

The Group Risk Management Department plays a leading role in monitoring the overall safety performance, coordinating HSE activities, developing strategies and galvanising operating companies to implement various programmes to enhance the Group's safety performance.

HSE Continual Improvement

We conduct periodic engagement sessions with the HSE Heads which provide a platform to explore common health and safety themes, identify priorities, share key learning points and good practices as well as to determine strategic directions for the continuous improvement of health and safety across the Group.

OSH Activities and Programmes

Various OSH activities and HSE programmes were held throughout 2017 to promote wider safety visibility and exposure among management, employees, contractors, tenants and other relevant stakeholders. Among the activities and programmes conducted at MMC and its operating companies throughout the year were:

- **MMC Group HSE Day**

MMC Group 2017 HSE Day was held on 20 October 2017 together with MMC's operating companies. The event showcased MMC's high commitment towards the safety and health of employees as well as care of the environment.

- **Northport Felt leadership and Visibility Leadership Commitment**

To demonstrate the management's commitment to safety and to ensure that safety messages are effectively delivered across the Company.

- **Continuous Education and Enforcement Programmes**

To provide education on safety awareness and alertness to ensure the success of safety initiatives

- **Implementation of HSE Omission Notification (HON) at Northport**

To strengthen existing enforcement measures in Northport with the incorporation of monetary penalties.

- **Senior Management Constant Stakeholder Engagement**

Engagement with stakeholders, is important to ensure that safety messages reach the intended parties and locations.

- **Emergency Preparedness by Northport**

Drills and exercises for emergency situations were organised throughout the year to test the readiness, capabilities and response time of Northport's emergency response team within the terminal.

- **Rewards and Recognitions Programme at Northport**

We recognise, appreciate and reward exemplary safety actions of port users. One example is the Quarterly Best Safety Performer (Divisional Level) award that is conferred during Northport Safety Day.

- **JPB Joint Emergency Drill**

- JPB and BASF (hazardous cargo player tenant)
- JPB and Petronas RAPID (Ex-Dolphin Waterway Medical Evacuation)
- JPB and Synthomer (hazardous cargo player tenant)

- **JPB SHE Week 2017 from 20 to 24 October 2017**

- **EX-Storm Emergency Drill under PAGEMA (Pasir Gudang Emergency Mutual Aid) from 21 to 22 October 2017.**

- **PTP Safety Day 2017**

'Global Safety Day' was successfully organised on 20 April 2017 with the theme '24/7 Safe'. Several HSE programmes were conducted to increase awareness among employees on the importance of HSE compliance at the workplace.

- **PTP Training and Workshops**

Continuous improvement activities were held to ensure all staff are equipped with full knowledge of HSE related matters.

- **HSE Workplace Inspection and Management Walk About in PTP**

Management walk-about and workplace inspections were conducted to ensure good HSE implementation.

Among the activities conducted were;

- Gemba Walk
- Scheduled waste workplace inspection
- Safety and Health Committee Safety Walk
- Safety and Health Committee training by HSE GM, APMT Bahrain
- General safety awareness training
- Chemical register preparation workshop
- Scheduled waste workshop
- HSSE consequence management workshop
- Briefing on dangerous goods declaration & permit requirements
- Top 10 hazards awareness training

SUSTAINABILITY STATEMENT

- **Emergency Drills at Penang Port**

We conducted 6 Emergency Drills; Ferry (Fire Incident and Man Overboard), BDS (Fire Incident), Palmco (Environmental Pollution), Penang Port HQ Building (Passenger Lift Drill), Swettenham Pier Cruise Terminal (Bodily Injury) and Prai Bulk Cargo Terminal (Major Hazard Drill).

- **Penang Port Environmental Health Activities**

We collaborated with Penang Port Health (Ministry of Health) and Majlis Perbandaran Seberang Prai (MPSP) in a series of pest control activities for stray dogs, rodents and aedes mosquitoes.

- **Penang Port OSH Week**

This was held from 28 September 2017 to 4 October 2017 with the theme, 'Sama-Sama Selamat Sama-Sama Sihat'. The event was officiated by the Director of DOSH Penang and the Chairman of Penang Port Sdn Bhd.

- **First Aid & CPR Training at Senai Airport**

Held from 24 - 25 April 2017, this training was part of Senai Airport's emergency preparedness activities in compliance with the Safety and Health Act 1970.

- **Senai Airport Hazard Identification Risk Assessment and Risk Control (HIRARC) Workshop**

Senai Airport conducted a one-day HIRARC Workshop on 18 May 2017 to identify and record all work-related hazards and assess their risks accordingly.

- **Safety & Health Campaign**

Senai Airport, in collaboration with Aero Darat, organised a Safety & Health campaign at Senai International Airport on 23 May 2017 to create awareness on health and safety among the airport community and the public.

CORPORATE SOCIAL RESPONSIBILITY

As we pursued our sustainability journey, MMC continued to fulfill its role as a responsible corporate citizen. In 2017, the Group undertook close to 80 corporate social responsibility initiatives focused on three key pillars: Education and Community Development, Human Capital Development and Environment Preservation. Details of which can be found on page 77.

MOVING FORWARD

The MMC Group has made significant progress in its sustainability journey in 2017. We remain cognisant of the many more milestones that we aspire to reach across the three EES pillars.

Every step of our journey in sustainability is fundamentally about improving lives, creating employment opportunities in matters that open doors providing assistance and support, which is responsive to communities in areas we continue to operate. Given the size and diverse nature of businesses of the Group, the task ahead of us is challenging, but we remain undeterred to cascade a sustainability driven culture, supported by appropriate values.

CORPORATE SOCIAL RESPONSIBILITY

MMC CONTINUES TO DRIVE ITS CORPORATE SOCIAL RESPONSIBILITY (CSR) AGENDA IN LINE WITH ITS OVERALL SUSTAINABILITY JOURNEY AND COMMITMENT.

As a leading utilities and infrastructure Group with diversified businesses, MMC is well positioned to deliver a positive, lasting impact on various stakeholders. Through our reach, resources and capabilities, we believe that the Group inspires a heartfelt commitment to attain better outcomes for society and the environment. This defined willingness to create a better tomorrow for various segments of society is reflected through the Group's various CSR programmes and activities.

Our approach to CSR consists of company driven, strategic initiatives which are mostly centred on **Education and Community Development, Human Capital Development and Environment Preservation**.

EDUCATION AND COMMUNITY DEVELOPMENT



39 Initiatives

HUMAN CAPITAL DEVELOPMENT



34 Initiatives

ENVIRONMENT PRESERVATION



5 Initiatives



EDUCATION AND COMMUNITY DEVELOPMENT

THE FUTURE LIES IN THE HANDS OF OUR CHILDREN, AND IT IS OUR DUTY TO ENSURE THAT THE NEXT GENERATION IS EQUIPPED WITH THE RIGHT CAPABILITIES, TALENT, KNOWLEDGE AND MIND-SET TO EXCEL AND BECOME CHAMPIONS FOR A BETTER TOMORROW.

Towards this end, our Education and Community Development initiatives are focussed on fostering learning opportunities on underserved communities in which we operate in. By encouraging active participation and involvement of our employees, we are able to help local communities and provide opportunities for MMC employees to actively participate in contributing back to society. Through our initiatives, we have progressively nurtured a culture of caring, pro-activeness and empowerment among MMC employees.

We are glad to report that the activities undertaken in 2017 continue to deliver a transformative, encouraging difference to the communities.



24 January 2017

Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART) and Malaysian Inbound Tourism Association jointly organised a road safety awareness campaign in conjunction with Chinese New Year celebration at SMART Toll Plaza.



26 January 2017

Northport (Malaysia) Bhd (Northport) organised a CSR programme in conjunction with the Chinese New Year celebration for the residents of Pertubuhan Rumah Anak Yatim Berkat Kasih, Klang. The programme covered a contribution of provisions to the orphanage home and a visit to Northport.



4 February 2017

MMC organised a special Chinese New Year visit to the Paediatric unit of University Malaya Medical Centre led by Dato' Sri Che Khalib Mohamad Noh, Group Managing Director of MMC and joined by volunteers from the MMC Group.

CORPORATE SOCIAL RESPONSIBILITY EDUCATION AND COMMUNITY DEVELOPMENT



12 – 16 February 2017

Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) together with Johor Bahru Education Department organised an annual Cricket MSSD Tournament for Johor Bahru students under 12 and under 18 categories at Sekolah Menengah Kebangsaan Dato' Usman Awang, Johor Bahru.



11 March 2017

PTP organised its annual UPSR Motivational Talk involving a total of 130 participants from 13 primary schools within Gelang Patah area.



1 April 2017

Johor Port Berhad (JPB) organised a motivational talk on 'Positive Parenting' for more than 100 parents of Sekolah Kebangsaan Bukit Lintang's students.



20 April 2017

PTP held its annual one-day SPM Motivational Talk for 120 selected students from 4 secondary schools within Gelang Patah area.



21 April 2017

Northport, together with its largest customer, Wan Hai Lines organised a blood donation campaign to raise awareness among the public and local community on the importance of blood donation.



27 April 2017

JPB in collaboration with Special Education Unit of Sekolah Kebangsaan Taman Pasir Putih organised the 'Program Pendidikan Khas Integrasi Bermasalah Pembelajaran dan Lawatan Ilmiah'. 38 students accompanied by their parents and JPB representatives visited interesting places in Melaka as part of the programme.



28 April 2017

Malakoff Corporation Berhad (Malakoff) contributed RM20,000 to Pontian Glow Run, organised by Majlis Daerah Pontian and Pejabat Belia dan Sukan Daerah Pontian. More than 1,000 runners from various local Government agencies, community and a team of 20 runners from Malakoff, participated in the 5km fun run held at Dataran Majlis Daerah Pontian.



13 May 2017

PTP together with Senai Airport Terminal Services Sdn Bhd (Senai International Airport) organised an educational visit for 40 primary school students within Gelang Patah area to provide an opportunity for the students to experience the day-to-day operations and procedures at PTP and Senai International Airport.

CORPORATE SOCIAL RESPONSIBILITY

EDUCATION AND COMMUNITY DEVELOPMENT



18 May 2017

JPB donated 300 reading materials to Sekolah Menengah Kebangsaan Dato' Penggawa Timur (SMKDPT) for its 'Read to Feed' book donation campaign. The campaign, encouraged JPB and JP Logistic Sdn Bhd's (JPLogistic) community to contribute new or used educational books including higher education and professional books, technical and vocational books for SMKDPT's library.



2 June 2017

JPB donated 500 packs of 10kg rice as part of its CSR to the poor and needy in Pasir Gudang Parliament Constituency to lessen the burden of underprivileged families celebrating Ramadan and Eid Mubarak.



13 June 2017

Members of MMC Group in the Southern region; PTP, JPB, Senai International Airport and Senai Airport City Sdn Bhd (Senai Airport City) participated in the RTM programme – Bubur Lambuk Distribution at RTM Sultan Iskandar Broadcasting Complex, Johor Bahru. Over 3,000 packs of Bubur Lambuk were distributed to the public throughout the programme.



14 June 2017

PTP together with Lembaga Pelabuhan Johor (LPJ) brought cheers to more than 150 underprivileged individuals and students around Gelang Patah area during the annual PTP – LPJ Tjajah Ramadan with the local community.

The distribution of aid was made during a handover ceremony with Dato' Abdul Rahim Ramli, Chairman of LPJ and break of fast event with local community held at Abu Hurairah Mosque, CIQ Sultan Abu Bakar Complex, Gelang Patah. Each recipient received shopping vouchers and essential items such as rice, glutinous rice, sugar, flour, instant ketupat and many more.



15 June 2017

Senai International Airport and Senai Airport City successfully organised the MMC Prihatin Ramadan and Hari Raya Contribution Programme at Masjid Lapangan Terbang Antarabangsa Senai.

200 Asnaf recipients from Senai, Kulai and Johor Bahru Tengah received food supplies such as rice, flour, sugar and spices, as well as shopping vouchers in preparation for the Hari Raya celebration.

The team also reached out to the disabled and elderly recipients by delivering the contribution to their houses.



16 June 2017

Northport organised its annual "Ihya' Ramadan" programme at Surau Al-Hidayah, Northport. Dato' Sri Che Khalib Mohamad Noh, Chairman of Northport, was present at the event together with members of the Board of Directors.

94 recipients from Northport received financial contribution for Aidilfitri preparation. Representatives from 10 mosques within the vicinity of Northport also received zakat contribution to help the poor and needy residents within their respective areas.

CORPORATE SOCIAL RESPONSIBILITY EDUCATION AND COMMUNITY DEVELOPMENT



19 June 2017

Malakoff distributed a total of RM254,500 Wakalah Zakat at Majlis Penyerahan Sumbangan Asnaf DUN Kukup.

The Wakalah Zakat was handed by YB Haji Suhaimi Salleh, Kukup Assemblyman to 509 underprivileged recipients of fakir and miskin asnafs Mukim Rimba Terjun, Mukim Sungai Karang, Mukim Serkat and Mukim Ayer Masin.



19 June 2017

MMC Group donated 4 Muslim hearses worth RM670,000 to 4 selected mosques around Johor as part of the Group's Zakat hand-outs to facilitate Muslim funeral matters as well as for general usage of the surrounding communities.

The 4 selected mosques were Masjid Jamek Temenggong Daeng Abd Rahman, Masjid Kampung Permatang Palas, Benut, Masjid Tiram Duku, Gelang Patah and Masjid Jamek Senai.



19 June 2017

Northport organised a CSR programme with the Mah Meri ethnic community in Carey Island.

40 muallaf families from Kampung Sungai Judah and Kampung Sungai Kurau were present to receive essential food items for their Hari Raya Aidilfitri preparation. The CSR programme was held in collaboration with Sekolah Kebangsaan Sungai Judah (A), Pulau Carey.



24 July 2017

Northport jointly organised a Hari Raya Aidilfitri celebration with Mah Meri ethnic community at Kampung Sungai Judah, Pulau Carey, in collaboration with Sekolah Kebangsaan Sungai Judah (A), Pulau Carey. The event was attended by more than 400 villagers.



30 July 2017

SMART Tunnel Run 2017, a run to commemorate the tenth-year anniversary of SMART Tunnel was jointly organised by SMART, Kelab Sukan, Kebajikan dan Rekreasi and Department of Irrigation and Drainage Kuala Lumpur. More than 1,600 runners took part in the event, flagged off by YB Datuk Seri Dr. Haji Wan Junaidi bin Tuanku Jaafar, Minister of Natural Resources and Environment.



12 August 2017

Northport held an Exam Preparation Programme for PT3 and SPM 2017 students.

The two-day programme was organised for children of its employees and students from underprivileged families residing within the vicinity of Northport.



18 August 2017

Kontena Nasional organised an industrial visit for 43 students of Politeknik Sultan Haji Ahmad Shah.

CORPORATE SOCIAL RESPONSIBILITY

EDUCATION AND COMMUNITY DEVELOPMENT



28 August 2017

SMART held a special Merdeka Celebration Programme for underprivileged students at Tugu Negara and Muzium Negara, Kuala Lumpur.



14 September 2017

Employees of MMC Group traversed the streets of Kuala Lumpur for the fourth edition of Bursa Malaysia Bhd's "Bursa Bull Charge" to support the bourses' noble cause.



16 September 2017

Senai Airport City participated in a Charity Run to support Palliative Care Association of Johor Bahru and The Befrienders organisation.



5 October 2017

PTP celebrated 40 form four students from 4 Secondary schools in Gelang Patah area for successfully completing the English Development Programme.

The year-long English Development Programme consists of three phases, English Tutorial Class, English Communication Workshop and Mini Choral Speaking Competition, aimed at giving students the opportunity to enhance their understanding and confidence in mastering the English language.



7 October 2017

JPB successfully organised an inaugural charity walk, themed "Walk for Fun, Walk for Health, Walk for Charity" to raise funds for Persatuan Kebajikan Rumah Nur Ehsan. The event was participated by more than 800 participants across Johor Bahru.



12 October 2017

MMC Engineering Services Sdn Bhd (MMCES) collaborated with the National Blood Centre for a Blood Donation Campaign at Wisma Zelan, Bandar Tun Razak, Kuala Lumpur.

28,350ml of blood from 63 donors was successfully collected during the campaign.



13 October 2017

Northport collaborated with Sekolah Jenis Kebangsaan (Tamil), Pulau Carey Barat for a Deepavali CSR Programme. Essential grocery items were distributed to 95 students from underprivileged families for their Deepavali preparations.



14 October 2017

MMC Pembetungan Langat Sdn Bhd (MMC PLSB) and MMCES organised a joint visit to Pusat Jagaan Al-Fikrah in Kg. Sungai Sekamat, Kajang.

The CSR programme was led by Mohd Abdul Fatah Endut, Chief Executive Officer (CEO) of MMCES. More than 40 volunteers from both companies came to distribute essential grocery items to the home. MMCES contributed new water tanks for the home to facilitate their increasing washing and daily needs.



21 October 2017

MMC organised a special visit to the Orthopedics Ward, Hospital Serdang, Selangor, in conjunction with the Deepavali celebration.

During the visit, more than 60 patients received goody bags comprising blankets, packed food and special Indian delicacies.

CORPORATE SOCIAL RESPONSIBILITY EDUCATION AND COMMUNITY DEVELOPMENT



6 November 2017

Penang Port Sdn Bhd (Penang Port) launched its Emergency Rescue Team to assist Penangites affected by the flood through its 'Flood Relief Programme'.

The CSR initiative, was participated by more than 50 volunteers from Penang Port. The team, headed by Sasedharan Vasudevan, CEO of Penang Port, successfully delivered provisions consisting of food, mineral water, formula milk for babies and other essential items to the Bukit Mertajam relief centre.



8 November 2017

Senai International Airport hosted an educational visit for 40 standard six pupils from Sekolah Kebangsaan Senai and Sekolah Kebangsaan Senai Utama to PTP and Senai International Airport.

The programme kicked off with a visit to PTP to learn more about the port's history, operations and procedures before visiting the Marine Control Room, Port Terminal and PTP Free Zone area.

Students were then taken to Senai International Airport to experience the terminal operations and were given the opportunity to be on AirAsia's A320-200 Airbus.



20 November – 31 December 2017

MMC and its Group of Companies have successfully contributed RM120,000 worth of reading materials to 24 schools nationwide through 'MMC Smart Circle Programme'.

The 'MMC Smart Circle Programme' was established with the objectives to empower students with knowledge and inculcate good reading habits which will simultaneously prepare them for their PT3 and SPM examinations.



24 November 2017

Senai International Airport organised its fifth Blood Donation programme with Hospital Sultan Ismail, Johor Bahru at Senai International Airport.

A total of 16,000ml blood was successfully donated by eligible and healthy donors during the one-day programme.



2 – 3 December 2017

Malakoff organised a 'Karnival Sukan Rakyat Mukim Serkat' for the fifth consecutive year in collaboration with Jawatankuasa Keselamatan dan Kemajuan Kampung (JKKK) of Kampung Mukim Serkat and JKKK of Kampung Chokoh, held at Air Pengkalan Kampung Chokoh, Pontian, Johor.

More than 1,000 local residents including Malakoff representatives participated in various fun-filled activities throughout the carnival.



2 December 2017

MMC organised a 'Back to School Programme' for orphans from Teratak Nur Barakah and Rumah Bakti Nur Syaheerah in Selangor to prepare for their new academic year.

A total of 50 children aged between 6 to 17 years old from both orphanages were accompanied by volunteers to purchase school supplies such as school uniforms, shoes, stockings, school bags, books and stationeries.



HUMAN CAPITAL DEVELOPMENT

THE CONTINUED SUCCESS OF MMC LIES IN THE CONSTANT DEVELOPMENT AND NURTURING OF KEY TALENT. THE GROUP CONTINUES TO DEVELOP ITS EMPLOYEES – PROVIDING THEM WITH OPPORTUNITIES TO REACH THEIR FULLEST POTENTIAL AND JOB SATISFACTION WHILE BUILDING REWARDING CAREERS.

MMC embraces diversity and inclusiveness in the organisation, appreciating each and every person for their unique abilities and talents. We have in place a well-designed and cohesive career development framework that provides numerous and varied opportunities for professional and personal development.



13 January 2017

Kontena Nasional Berhad (Kontena Nasional) organised a bowling tournament at Sunway Pyramid Mall to strengthen and cultivate work relationships between management and employees in a more relaxed environment.



24 January 2017

JPB hosted its first 2017 town hall session at Oasis Training Hall, Johor Port. The event, held with the objectives of fielding information on companies' performance saw participation from nearly 250 employees.



20 February 2017

MMC organised a Roundtable Discussion for MMC Engineers with The Institution of Engineers Malaysia (IEM). 15 young engineers participated in the discussion led by Ir. Dr. Assoc. Prof. Low Kaw Sai from IEM. The programme provided a platform for MMC young engineers to understand the current issues, challenges and opportunities in the industry.



18 – 19 January 2017

MMC organised a Mentoring Programme Workshop Series to retain and develop talents within the MMC Group and enhance the mentoring skills of its leaders.



17 February 2017

PTP organised its first town hall session for 2017. The event, held at two different locations for both management and non-management saw participation of more than 500 employees.

CORPORATE SOCIAL RESPONSIBILITY

HUMAN CAPITAL DEVELOPMENT



23 February 2017

Kontena Nasional organised its first town hall session for 2017 in Penang and Kuantan Branch. The town hall session began with a presentation by Afri Affandi Baharuddin, CEO of Kontena Nasional on the company's current progress, future plans and overall performance.



26 February 2017

MMCES organised its first Futsal Championship 2017 at Sports Planet, Ampang to strengthen the bond between MMCES and its project team as well as MMC and MMC Oil & Gas Engineering.



7 March 2017

JPB received the first batch of 12 supervisory-level employees from PELINDO IV following the synergistic collaboration in Port Training Services.

In total, 108 employees from PELINDO IV attended the training programme from March to November 2017.



10 March 2017

Northport organised a town hall session for its employees with Dato' Azman Shah Mohd Yusof, CEO of Northport. The session was attended by more than 200 employees from all divisions and departments.



22 March 2017

Northport received a visit from MMC employees as part of MMC Group Human Resources programme to provide an in-depth knowledge and exposure on Northport's business operations.



30 March & 12 April 2017

MMCES organised a town hall session with CEO to share the Company's achievement and performance at Wisma Zelan, Kuala Lumpur and Senai Business Aviation Terminal, Johor.



26 April – 23 May 2017

Kontena Nasional organised several integrity awareness briefings with Malaysian Anti-Corruption Commission (MACC) at all of its branches.

The awareness talks were conducted by MACC representatives from the respective states to educate and instil the importance of integrity among employees.

Kuantan and Penang branches also took the opportunity to sign the 'Ikrar Bebas Rasuah' witnessed by Datuk Tan Kang Sai, MACC Director, Awang Kok Putra and Ahmad Taufik, both, State Deputy Directors of MACC.



16 – 17 May 2017

Aliran Ihsan Resources Berhad (AIR Berhad) organised a training programme on First Aid and CPR Skills for its employees at Water Treatment Plant, Kuala Kangsar, Perak. The training was coordinated by Federation of Malaysian Manufacturers Institute, Centre of Professional Development with trainers from Perak's Malaysian Red Crescent.

CORPORATE SOCIAL RESPONSIBILITY

HUMAN CAPITAL DEVELOPMENT



20 May 2017

Kontena Nasional organised its biennial Mini Sukan Kontena Nasional for employees.



31 May 2017

Penang Port signed a Collective Agreement between Senior Officers Association and Senior Management at a ceremony in The Light Hotel, Seberang Jaya.



7 June 2017

JPB hosted a 'Masak Bubur Lambuk' event at its Port Safety and Security bay area. More than 1,500 packets of Bubur Lambuk were distributed to employees and Johor Port's occupants including vehicles passing through the JPB Security Checkpoint 1 and 2.



8 June 2017

PTP held its annual Pesta Gawai & Kaamatan to promote solidarity and uphold the spirit of togetherness among employees. More than 400 PTP employees from Sarawak and Sabah was joyfully celebrated at the event.



9 June 2017

MMC welcomed the holy month of Ramadan with a 'Majlis Berbuka Puasa' alongside 400 employees from the MMC Group of Companies and students from Markas Tahfiz Wal Tarbiah Darul Ehsan and Asrama Darul Falah, at Hotel Istana, Kuala Lumpur. The event began with a 'Tazkirah' followed by a Ramadan aid contribution to 70 students before the break of fast.



15 June 2017

Senai International Airport conducted a town hall session led by Md Derick Basir, CEO of Senai International Airport at Senai Business Aviation Terminal. The session was part of its engagement initiatives aimed at strengthening relationship between the employees and management.



6 July 2017

Malakoff organised a Hari Raya get-together for employees at Malakoff Academy of Excellence, in Kuala Lumpur. The event was a great platform to foster team spirit and closer relationship amongst Malakoff employees.



14 July 2017

Northport organised a 'Majlis Sambutan Aidilfitri Team Northport 2017' for its employees at Surau Al-Hidayah's open area. More than 2,000 employees attended the event.



14 July 2017

PTP held its annual 'Hari Raya Gathering' to promote solidarity, friendship as well as to uphold the spirit of thoughtfulness among employees.

The event had successfully gathered over 1,800 employees from various divisions.

CORPORATE SOCIAL RESPONSIBILITY

HUMAN CAPITAL DEVELOPMENT



16 July 2017

MMCES organised its annual Inter-Department Bowling Tournament activity at Wangsa Bowl, IOI City Mall, Putrajaya.

The event saw 15 teams comprising 75 bowlers competing against each other to encourage team spirit among employees.



29 July 2017

Kontena Nasional organised a 'Treasure Hunt 2017' programme through Kontena Nasional Recreational Sports Club to cultivate work relationships between employees in a more relaxed environment. A total of 72 participants from all branches participated in the event which brought to a total of 18 cars at the Treasure Hunt 2017.



26 – 27 August 2017

MMC Group participated in the 1 Malaysia Training Scheme (SL1M) Open Interview Programme 2017 in Ayer Keroh, Melaka to offer employment and training opportunities for graduates and job seekers.



29 September 2017

Penang Port organised the 'Occupational Safety and Health Week' opening ceremony at its corporate office in Georgetown, Penang.



5 November 2017

JPB signed a MoU with Skills Johor, PELINDO IV and LPJ for the launch of Port Industry Training Programme to upskill Malaysia's Workforce. Held at Wisma Kontena, JPB, the event successfully gathered over 250 guests from various Government and private agencies, senior management of PELINDO IV, Johor Port Skill Centre's students and parents, as well as Universiti Kuala Lumpur Malaysian Institute of Industrial Technology's students.



10 November 2017

Northport organised a lecture programme titled 'Reinforcing TeamNorthport's Core Values' at CBM Hall, Northport for more than 200 employees.



11 November 2017

PTP hosted a career talk programme for 40 selected students from Universiti Malaysia Terengganu as part of the Company's strategic collaboration with local institutions of higher learning to empower the talent pool and leaders in maritime, logistics and port management in Malaysia.



13 November 2017

MMC organised a seminar on 'Impact of Companies Act 2016 on Corporate Governance and Directors' Responsibility' at Hotel Istana Kuala Lumpur.

The event was attended by MMC's Board of Directors, CEOs of MMC Group of Companies, Heads of Department and Corporate Secretarial Department to enhance their understanding on the impact of Companies Act 2016 and Malaysian Code on Corporate Governance 2017.

CORPORATE SOCIAL RESPONSIBILITY

HUMAN CAPITAL DEVELOPMENT



23 November 2017

JPB held a Teh Tarik Session with Chairman, Dato' Sri Che Khalib Mohamad Noh at JPB's Corporate Office, Pasir Gudang, Johor to share his leadership journey and motivational tips on becoming an effective leader. The session was attended by 50 selected employees who enrolled in the JPB Leadership Programme.



8 December 2017

MMC organised a Dialogue Session with Chairman, Tan Sri Dato' Seri Shamsul Azhar Abbas and Group Managing Director, Dato' Sri Che Khalib Mohamad Noh as part of the Group Succession Planning framework and leadership engagement with the senior management team. 11 top talents across the MMC Group were selected to attend the engagement session which provided an opportunity for the young talents to widen their perspectives on leadership and business insight.



27 November 2017

PTP signed a MoU with Universiti Tun Hussein Onn Malaysia for human capital development and sharing of knowledge as well as resources between both organisations.



29 November 2017

MMC organised an Ice Breaking Session for Mentors and Mentees, officiated by Dato' Sri Che Khalib Mohamad Noh, Group Managing Director of MMC. The session was attended by 10 mentors and 31 mentees from MMC Operating Companies in central region where they have to embark on 18 months mentoring journey under this programme.



ENVIRONMENT PRESERVATION

WE CONTINUE TO PRIORITISE THE ENVIRONMENT IN OUR CSR INITIATIVES BY UNDERTAKING VARIOUS CONSERVATION AND PRESERVATION PROJECTS AND PROGRAMMES. OUR EFFORTS IN 2017 SAW US CONTINUING TO COLLABORATE WITH GOVERNMENT AGENCIES, UNIVERSITIES, ENVIRONMENTAL BODIES AND LOCAL COMMUNITIES TO SPEARHEAD STUDIES, INITIATIVES AND ACTIVITIES THAT ARE MUTUALLY BENEFICIAL IN PROTECTING THE ENVIRONMENT AND IN ENSURING OPTIMAL USE OF NATURAL RESOURCES.

Our community and environmental programmes also continued in 2017 to reach out to the people, drawing their participation into activities that empower and enrich all parties concerned.



25 May 2017

Malakoff, in collaboration with the Fisheries Department, continued the annual 'Kenali Penyu, Sayangi Penyu' turtle awareness and educational programme at Segari Turtle Management Centre (TMC) for the sixth year running.

The event brought together 120 volunteers from the Fisheries Department, students from Institute of Marine Engineering Technology (Lumut campus), Universiti Kuala Lumpur and employees from Malakoff's Lumut Power Plant. Malakoff also contributed RM13,000 to the Fisheries Department for TMC's maintenance.



3 October 2017

JPB together with Johor's Department of Environment organised a 'Recycling Programme' in conjunction with Hari Alam Sekitar, Peringkat Negeri Johor 2017.

The programme was a resounding success as the e-waste collection achieved a total of 55 million tonnes (MT), exceeding their initial target of 40 MT.

During the event, JPB was awarded first place after successfully contributed the highest e-waste collection under the industry category. JPB's e-waste recycling programme attracted more than 146 clients, with 858 e-waste items collected.

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT PRESERVATION



17 October 2017

Gas Malaysia Berhad (Gas Malaysia) collaborated with the Department of Wildlife and National Parks (PERHILITAN) to protect the critically endangered river terrapins, at the River Terrapin Conservation Centre in Bota Kanan, Perak. During the event, Ahmad Hashimi Abdul Manap, CEO of Gas Malaysia presented an egg-hatching incubator to Fakhru Hattat Musa of PERHILITAN to support the terrapin population recovery efforts. Gas Malaysia also contributed several water pumps and filters for the breeding pond to improve water clarity and remove suspended solids and other sediments.



22 October 2017

Malakoff and JPB participated in the Hari Alam Sekitar, Johor at Dataran Segamat, Johor. This year's theme, 'Alam Sekitar Tanggungjawab Bersama' was selected to instil a sense of responsibility towards the environment.

The event was launched by YB Datuk Haji Ayub Rahmat, Chairman of Johor Health, Environment, Education and Information Committee. JPB was a gold sponsor of the event with a contribution of RM20,000.



5 November 2017

MMC PLSB took part in the 'Friends of Langat' River programme in conjunction with the Environment Day Celebration organised by the Ministry of Energy, Green Technology and Water (KeTTHA) in collaboration with Universiti Kebangsaan Malaysia. Officiated by YBhg Dato' Seri Ir. Dr Zaini Ujang, Secretary General of KeTTHA, the event attracted more than 300 participants consisting of university students, members of the Governments, agencies and public. Various activities were held during the event which include Langat River cleaning, demonstration and exhibitions by water and sewage agencies, children's colouring contest, mural paintings and more. MMC PLSB contributed two cabins to KeTTHA that will be transformed into Langat River Education Centre.

2017 CORPORATE HIGHLIGHTS



5 January 2017

AIR Berhad signed a MoU with Advanced Membrane Technology Research Centre, Higher Institution Centres of Excellence (HiCoE) established under University of Technology, Malaysia.



10 January 2017

Senai International Airport celebrated 2017 with the arrival of two new international flights; from Jakarta operated by AirAsia and from Shenzhen, operated by Spring Airlines.



17 January 2017

Northport hosted a working visit by YB Dato' Sri Ahmad Shabery Cheek, Minister of Agriculture and Agro-Based Industry and his delegation from the Ministry, Department of Agriculture and the Department of Malaysian Quarantine and Inspection Services.



10 January 2017

JPB is the first Multi-Purpose Port in Malaysia to obtain ISO 55001:2014 – Asset Management System for Primary Port Operating Assets.



17 January 2017

MMC Board of Directors visited MMC projects in Langat and KVMRT SBK Line in Sungai Buloh.



3 February 2017

Northport participated in a humanitarian mission called 'Food Flotilla for Myanmar' by providing warehousing and terminal handling services to load more than 2,200 tonnes of rice, medical aid, daily provisions and other essential supplies onto Nautical Aliya, a charter ship used for the historic mission.

2017 CORPORATE HIGHLIGHTS



14 February 2017

PTP officially welcomed and witnessed the inauguration ceremony of Alfred Kärcher GmbH & Co. KG (Kärcher) Regional Distribution Centre for Asia Pacific region at Kärcher's facility in District Park A, PTP Free Zone area.



2 March 2017

PTP organised a maiden voyage event for MSC RIFAYA calling at the port. The vessel, owned by Mediterranean Shipping Company (MSC), was on its journey from Ningbo, China to Europe.



5 March 2017

YB Dato' Seri Mohamed Khaled Nordin, Chief Minister of Johor was briefed by SWW on the Tanjung Bin-Gelang Patah road and Sg Pulai bridge project. As the project proponent, SWW is to ensure that the project is completed within the allocated time and budget.



22 February 2017

PTP welcomed Johor Port Authority (JPA) Board of Directors and representatives from Johor Economic Planning Unit for a familiarisation visit to PTP.



4 March 2017

Prime Minister of Malaysia YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak launched the Sipitang package of Pan Borneo Highway Sabah Project at Sekolah Menengah Kebangsaan Sindumin, Sabah. UEM MMC Joint Venture Sdn Bhd, a 50:50 jointly controlled entity of MMC Corporation Berhad has a 40% stake in Syarikat Borneo Highway PDP Sdn Bhd (BHP), the appointed Project Delivery Partner for Pan Borneo Highway Sabah.



13 – 27 March 2017

Northport hosted the 40th Regiment of Rejimen Askar Jurutera Diraja's Annual Training Camp, Series 1/2017.



22 - 24 February 2017

JPB and PTP participated in the Philippines Ports & Shipping Conference at Grand Peninsula, Makati, Philippines.



14 March 2017

PTP welcomed the Volkswagen Group to its Free Zone area with the presence of PTP's senior management team.

2017 CORPORATE HIGHLIGHTS



15 – 18 March 2017

Northport participated in the Professional Golf of Malaysia's Tour series as one of the corporate sponsors. The event gathered 136 professional golfers locally and internationally.



22 – 23 March 2017

MMC-Gamuda JV participated in the Global Transformation Forum 2017 held at Kuala Lumpur Convention Centre. Organised by Performance Management and Delivery Unit, the event was attended by more than 3,000 business leaders from 76 countries.



3 April 2017

MMC Port Holdings Sdn Bhd (MMC Ports), Sime Darby Property Berhad, Adani Ports and Special Economic Zone Limited signed a MoU to study the feasibility of developing an integrated maritime city on Carey Island, Selangor, Malaysia.



17 March 2017

JPB bagged the Anugerah Kecemerlangan Industri (AKI) or Industry Excellence Award for service sector under category 4 (sales turnover of more than RM100 million) at the 2016 AKI Award Presentation Ceremony.



28 March 2017

Senai International Airport received a visit from Johor's MACC. The delegates, led by Zuber Zainal, Deputy Director of MACC Johor were welcomed by Md Derick Basir, CEO of Senai International Airport and Senai International Airport's management team. Zuber also delivered a briefing on Corporate Integrity Pledge during the visit.



4 April 2017

MMC Board of Directors visited MMCES project at the Pengerang Integrated Complex in Pengerang, Johor. The delegation was led by Tan Sri Dato' Seri Shamsul Azhar Abbas, Chairman of MMC.



21 – 25 March 2017

PTP, JPB, Northport, Senai International Airport, Senai Airport City and Northern Technocity Sdn Bhd (Northern Technocity) participated in the Langkawi International Maritime and Aerospace Exhibition 2017.



1 April 2017

MMC Group participated in the inaugural Iskandar Puteri Night Marathon 2017.



4 April 2017

Senai Airport City organised a Knowledge Sharing Session together with Jabatan Kastam Diraja Malaysia Johor for its stakeholders and MMC Group of Companies involved in Free Zone operations.

2017 CORPORATE HIGHLIGHTS



13 April 2017

JPB clinched the Multi-Purpose Terminal Operator of the Year award at the Frost & Sullivan Asia Pacific Best Practices Awards Presentation ceremony in Kuala Lumpur.



20 April 2017

PTP held its Safety Day to promote safe and healthy working environment.



20 April 2017

Hershey Malaysia Sdn Bhd held its official opening ceremony of its state-of-the-art confectionery manufacturing plant in Senai Airport City Free Industrial Zone Area.



24 April 2017

PTP welcomed a delegation from Terminal Operations Conference Asia.



28 April 2017

MMC PLSB celebrated its 3 million manhours without Lost-Time Injury (LTI).



28 April 2017

Northport organised a Safety Day programme in conjunction with the 2017 World Day for Safety and Health at Work.



1 May 2017

JPB won the Harmony Trade Unions 1 Malaysia (Private Sector) at the Putrajaya International Convention Center.



2 May 2017

PTP hosted a one-day working visit for Morten Engelstoft, CEO of APM Terminals.



11 May 2017

BMW Group Malaysia officially launched its Group Parts Distribution Centre at Senai Airport Free Zone.



15 May 2017

Northport and Weifang Sime Darby Port Co. Ltd. signed a MoU to establish a sister port relationship to cooperate in port management and facilitate halal trade shipment between Malaysia and China.



16 May 2017

PTP is the first port in Southeast Asia to welcome Madrid Maersk, a 20,568 TEU container vessel and the first "second generation" Triple-E class vessel owned by Maersk Line, the world's largest container shipping company.

2017 CORPORATE HIGHLIGHTS



17 May 2017

PTP welcomed a delegation from European Union ambassadors as part of the delegation's familiarisation visit to Malaysia's largest transshipment port.



19 May 2017

MMC celebrated the MMC Group CEO Awards 2017 ceremony at Hotel Istana, Kuala Lumpur.



22 May 2017

SMART Tunnel launched the SMART Tunnel Run 2017 at SMART Control Center Kampung Berembang, Kuala Lumpur. The ceremony was officiated by YB Datuk Ir. Dr. Haji Hamim Samuri, Deputy Minister of Natural Resources & Environment, witnessed by YB Dato' Sri Ir. Haji Zulkefli Hassan, Director General of Department of Irrigation and Drainage Malaysia along with Ir. Tuan Haji Nishad Haji C.J. Mohd Shaffy, State Director of Department of Irrigation and Drainage Malaysia, Kuala Lumpur.

Grading system

The audit was conducted using the British Safety Council's quantified system of evaluation:

Marks %	Audit criteria	Star rating
92 – 100:	Excellent	★★★★★
85 – 91.9:	Very good	★★★★
75 – 84.9:	Good	★★★
69 – 74.9:	Satisfactory	★★
50 – 59.9:	Basic	★

MGKT has achieved an audited score of 90.02%

8 June 2017

MMC Gamuda KVMRT (T) Sdn Bhd obtained Four Star rating from the British Safety Council, one of the most stringent Occupational Health and Safety Management System Audits in the 2017 'Five Star Occupational Health and Safety' Audit.



15 June 2017

JPB signed a Port Operatorship Agreement through its wholly-owned subsidiary, SPT Services with PETRONAS Refinery and Petrochemical Corporation Sdn Bhd (PRPC) on the operation of their Solid Product Jetty.



20 June 2017

Malakoff in collaboration with MACC, signed the Corruption-Free Pledge at its Kuala Lumpur headquarters.



16 June 2017

Northport held an exchange of the Collective Agreement between Northport and Northport's Staff Union during its "Ihya' Ramadan" Programme.

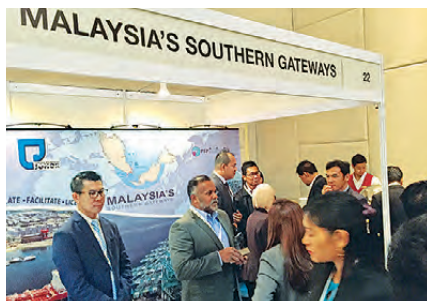


22 June 2017

Senai International Airport celebrated the first Johor Bahru – Kuala Terengganu flight operated by AirAsia in a send-off ceremony at Gate 3, Departure Hall, Senai International Airport.

The ceremony was attended by YB Dato' Haji Mohd Zubir Embong, Yang Dipertua Dewan Undangan Negeri Terengganu, YM Tun Ahmad Faisal Tun Abd Razak, Director of Terengganu State Tourism Department, Mohd Shukri Mohd Masbah, Director of Johor State Tourism Department, Aileen Omar, CEO of AirAsia Berhad and Md Derick Basir, CEO of Senai International Airport.

2017 CORPORATE HIGHLIGHTS



5 – 7 July 2017

JPB and PTP participated in The ASEAN Ports and Shipping Conference 2017 in Yangon, Myanmar.



21 July 2017

MMC Group's Meriahnya Aidilfitri celebration gathers more than 1,500 attendees.



15 August 2017

MMC PLSB won Best Minister KPI Achiever Award and 1.5 million manhours without LTI.



6 July 2017

MMC Operating Companies in Southern Region welcomed customers, partners and other stakeholders to its Hari Raya Open House.



27 July 2017

MMC won Silver Award at the Risk Management Team of the Year 2017 Award.



28 August 2017

MMC participated in the Water and Wastewater Week at the Malaysia Pavilion in Astana Expo 2017, Kazakhstan.



17 July 2017

Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak, launched the second phase of KVMRT SBK Line.



9 August 2017

YB Datuk Seri Panglima Dr. Maximus Johnity Ongkili, Minister of Energy, Green Technology and Water, visited MMCES project site, the Langat 2 Water Treatment Plant in Hulu Langat, Selangor.



4 September 2017

Northport signed strategic MoU with Shin Yang Shipping and Harbour-Link Group.

2017 CORPORATE HIGHLIGHTS



5 September 2017

Northport won Outstanding Performance Award for two consecutive years at the Malaysia World Maritime Week 2017.



11 – 14 September 2017

MMC Group of Companies were among industry experts at the 7th IWA-Aspire Conference 2017 and Water Malaysia Exhibition 2017 at Kuala Lumpur Convention Centre.



11 September 2017

Penang Port launched the tuna fish landing by Kha Yang 333 vessel at Penang Port's Butterworth Wharves. The event was officiated by YB Dato' Sri Ahmad Shabery Cheek, Minister of Agriculture and Agro-Based Industries.



13 September 2017

SMART entered into an agreement with TRX City Sdn Bhd to develop the Tun Razak Exchange and simultaneously drive more traffic to SMART Tunnel.



3 – 4 October 2017

MMC Operating Companies in the Southern Region participated in the Invest Iskandar Malaysia 2017 Symposium in conjunction with Iskandar Malaysia's 10th anniversary. The event was attended by YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry and officiated by YB Dato' Seri Mohamed Khaled Nordin, Chief Minister of Johor.



4 – 8 October 2017

Subsidiaries of MMC Ports together with Senai International Airport and Senai Airport City participated in the FIATA World Congress 2017. The event was graced by YB Dato' Sri Liow Tiong Lai, Minister of Transport Malaysia.



6 – 14 October 2017

MMC Operating Companies in the Southern Region participated in Ekspo Johor Berkemajuan 2017 at Dataran Mahkota, Kota Iskandar. The event was launched by YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak, Prime Minister of Malaysia.



11 – 13 October 2017

MMC PLSB participated in the International Greentech & Eco Products Exhibition and Conference Malaysia organised by KeTTHA at Kuala Lumpur Convention Centre.



12 October 2017

PTP sealed an agreement with University Malaysia Terengganu for the development of maritime and logistics studies.

2017 CORPORATE HIGHLIGHTS



12 October 2017

Senai International Airport welcomed international brands; WH Smith, O'Briens Irish Sandwich Bar and Boost Juice outlets at Senai International Airport's departure hall and terminal concourse area.



10 November 2017

Senai International Airport was awarded the Quality Management System (ISO 9001:2015) and Information Security Management System (ISO 27001:2013) certifications from SIRIM Berhad at Majlis SIRIM Industri 2017.



16 November 2017

Prai Power Plant, a subsidiary of Malakoff won the National Occupational Safety and Health Excellence Award 2017 for the Energy Facility category by the Department of Occupational Safety and Health.



20 October 2017

Dato' Sri Che Khalib Mohamad Noh, Group Managing Director of MMC officiated the MMC Group Health, Safety and Environmental Week 2017 at Wisma Budiman, Kuala Lumpur. The launch was celebrated exclusively through video conferences with MMC Group of Companies.



16 November 2017

Malakoff organised a send-off ceremony at Kuala Lumpur International Airport, Sepang for their second cancer patient, Mohamad Uthman Mohamad Saiful, 7, who received a sponsorship to perform his umrah together with his parents.



18 November 2017

Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak launched the sixth Pan Borneo Highway Sabah package the "Kota Kinabalu Outer Ring Road".



28 October – 2 November 2017

PTP together with JPB participated in Johor Port Week 2017 organised by JPA.



16 November 2017

AIR Berhad participated in the FMM Water Conference 2017 on "Sustainable Water Resource Management for Manufacturing" organised by Federation of Malaysian Manufacturers.



19 November 2017

PTP became the first port in Southeast Asia to welcome the region's tallest ship-to-shore quay cranes at its port.

2017 CORPORATE HIGHLIGHTS



23 November 2017

AIR Berhad participated in Innovate Johor 2017 on 'Excellence Innovation Towards Sustainable Entrepreneurship' organised by University of Technology, Malaysia.



28 November 2017

Senai International Airport celebrated the commencement of international flights to Macao, China and Kolkata, India by AirAsia at Senai Business Aviation Terminal, Senai International Airport.



8 December 2017

JP Logistics Sdn Bhd clinched the SME 100 Awards 2017: Malaysia's Fast-Moving Companies.



9 – 10 December 2017

Senai International Airport together with Musickidz International School of Music jointly organised the Senai Airport Music Weekend 2017 for the second consecutive year.



11 December 2017

MMC signed a Certificate of Collaboration with the Department of Polytechnic Education for the establishment of MMC Industry Center at Polytechnics. The ceremony was witnessed by YB Dato' Seri Haji Idris Jusoh, Minister of Higher Education.



30 December 2017

Senai International Airport celebrated its 3 millionth passenger in 2017.

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



1 May 2017

Johor Port Berhad

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



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

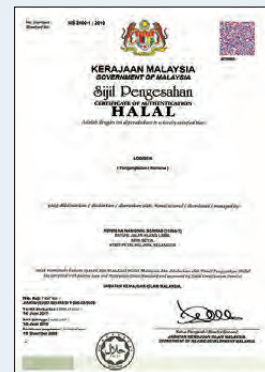
Best Employer Brand Awards 2017 – World HRD Congress



16 July 2017

Kontena Nasional Berhad

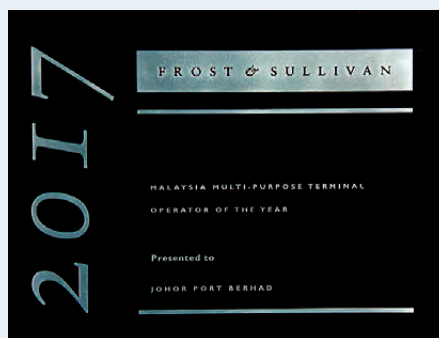
Halal Certificate for Trucking – Jabatan Kemajuan Islam Malaysia (JAKIM)



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)



AWARDS & RECOGNITIONS

15 August 2017

MMC Pembetulan 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 (KeTTHA)



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



6 September 2017

Malakoff Corporation Berhad

Finalists for PwC Malaysia's Building Trust Award 2017 – PwC 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



AWARDS & RECOGNITIONS

13 October 2017

Penang Port Sdn Bhd
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



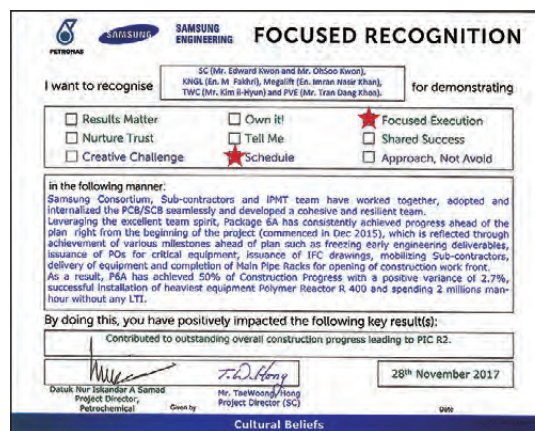
16 November 2017

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 2017

COMPANY	LIST OF ASSOCIATIONS & CERTIFICATIONS 2017
PELABUHAN TANJUNG PELEPAS SDN BHD	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • ISO 9001:2008 – Quality Management System • ISO 10002:2014 – Quality Management – Customer Satisfaction

LIST OF ASSOCIATIONS AND CERTIFICATIONS 2017

COMPANY	LIST OF ASSOCIATIONS & CERTIFICATIONS 2017
KONTENA NASIONAL BERHAD	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • ISO 9001:2015 – Quality Management System • ISO 14001:2004 – Environmental Management System • OHSAS 18001:2007 Occupational Health and Safety Management System
MALAKOFF CORPORATION BERHAD	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • ISO 9001:2008 – Quality Management System • ISO/IEC 27001:2013 – Information Security Management System
SENAI AIRPORT TERMINAL SERVICES SDN BHD	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Registered with Construction Industry Development Board (CIDB) • Suruhanjaya Perkhidmatan Air Negara (SPAN)
MMC-GAMUDA JOINT VENTURE (MGJV)	<ul style="list-style-type: none"> • Registered with Construction Industry Development Board (CIDB)
SYARIKAT MENGURUS AIR BANJIR & TEROWONG (SMART)	<ul style="list-style-type: none"> • The Association of Highway Concessionaires Malaysia

CORPORATE GOVERNANCE

OVERVIEW STATEMENT

THE BOARD OF DIRECTORS (BOARD) RECOGNISES THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE AND CONTINUES TO BE COMMITTED TO ENSURE THAT HIGH STANDARDS OF CORPORATE GOVERNANCE ARE PRACTICED THROUGHOUT THE GROUP. MAINTAINING EFFECTIVE CORPORATE GOVERNANCE IS, THEREFORE, A KEY PRIORITY FOR THE BOARD, AND IS ACHIEVED THROUGH IMPLEMENTING THE THREE (3) KEY PRINCIPLES OF GOOD CORPORATE GOVERNANCE AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (MCCG).

The Corporate Governance Overview Statement is prepared in compliance with Bursa Malaysia Securities Berhad Listing Requirements (Listing Requirements) and is to be read in conjunction with the Corporate Governance Report (CG Report), which is made available on the Company's website, www.mmc.com.my. The CG Report provides a detailed explanation on the application of the corporate governance practices as set out in the MCCG by the Group during the Financial Year 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. The Responsibilities of the Board

The Board, led by the Group Chairman, YBhg. Tan Sri Shamsul Azhar Abbas, an Independent Non-Executive Director, is responsible to the shareholders and various stakeholders for creating and delivering sustainable value and long-term success through its leadership and management of the Group's businesses and operations, in line with the Group's vision and mission.

The Board has the primary responsibility for setting the strategic goals of the Company and in fulfilling the said responsibility, the Board had approved the Group's 5-Year Strategic Business Plan (2018-2022), which reflects the strategic focus and intensified efforts of the Group's core divisions to strengthen profitability amid the current domestic/global economic challenges and industry outlook.

The Board, in ensuring the effective discharge of its duties and responsibilities, has developed a Corporate Governance Model as illustrated below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Corporate Governance Model is supported by the Company's Limit of Authority (LOA) which set out the relevant matters and applicable limits reserved for the Board and matters that could be delegated to the Committees, the Group Managing Director (GMD) and the Management.

There is a distinct and clear division of responsibility between the Group Chairman and YBhg. Dato' Sri Che Khalib Mohamad Noh, the GMD, to ensure a strict balance of power and separation of authority. The Group Chairman is responsible for leading and guiding the Board whilst maintaining the highest standard of governance. The Group Chairman also serves as the main link between the Board and Management and particularly between the Board and the GMD.

The GMD, assisted by the Senior Management team, is responsible for the business and day-to-day management of the Company. In addition to that, the GMD also develops, reviews and implements long-term strategies and vision for the Company that will lead to the creation of shareholders' value.

The Board Policy Manual, a source reference document for the Directors, outlines matters relating to the Board and its processes. It also sets out the duties and responsibilities of the Group Chairman, the GMD, the Board as a whole and the role of the Company's Senior Independent Director. The Board Policy Manual, which is available on the Company's website, www.mmc.com.my was reviewed on 28 August 2017 to be in line with the MCGG.

Additionally, the Company has also made available its Code of Ethics (COE) and Whistleblower Policy on the Company's website, www.mmc.com.my. The COE sets out the principles, practices and standards of personal and corporate behaviour whereby all Directors and employees of MMC Group are required to comply with. Failure to comply with the COE is a serious breach, and appropriate action will be taken for the non-compliance.

Whilst, the Whistleblower Policy of MMC Group provides an avenue for employees to make good-faith disclosure and report instances of unethical, unlawful or undesirable conduct without fear of reprisal. The identity of the whistleblower and the concerns raised are treated with utmost confidentiality.

All Directors have full access to the advice and services of the Company Secretaries, who are legally trained and are qualified to act as Company Secretary under the Companies Act 2016. The Company Secretaries advise the Board and Management on statutory, regulatory and corporate development, the implementation of corporate governance measures and compliance as applicable to the Group.

II. The Composition of the Board

The Board, comprised a total of nine (9) Directors who were selected based on their expertise, experience, integrity and character. More than 75% of the Board consists of Independent Non-Executive Directors with expertise and skills from various fields and backgrounds. Thus, there is optimum Board balance and in compliance with the Listing Requirements in respect of the composition of the Board.

The Board recognises the importance of diversity in designing its composition while taking into account the pertinent skills, knowledge and experience necessary to further enhance the composition of the Board. Diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional experience, skills and knowledge. The Board, through the Nomination and Remuneration Committee, will continue to consider candidates of different gender, ethnic and age with the appropriate skills, experience and characteristics are sought, as part of its selection exercise.

The Board encourages and supports more women participation in the Company's decision-making positions whilst it continues to strive towards 30% women participation in the Board composition.

Overall, the Board is satisfied with the existing number and composition of the members and is of the view that the Board comprises a good mix of members with diverse academic backgrounds to provide for a collective range of skills, expertise and experience which are relevant to support the growth and cope with the complexities of our businesses. The composition of the Board is such that no individual or small group of individuals can dominate the Board's decision making.

The Board on an annual basis will undertake a 360° assessment exercise to evaluate the performance of the Board, Board Committees as well as the performance of individual Directors. The assessment exercise is facilitated by the Company Secretaries whereby a questionnaire covering various aspects such as Board's structure, Board's operation and interaction, contribution to interaction, understanding of the role, etc., will be distributed to the Directors.

The questionnaire is designed to identify and recognise the strength of the Board, collectively and individually. It is also used as a tool to identify areas for improvement.

The Company Secretaries will compile and collate the findings of the assessment, and a report of the findings will be tabled to the Nomination and Remuneration Committee for deliberation. Subsequently, the report will be discussed and agreed upon by the Board collectively.

The findings of the evaluation for individual Directors will also be used as a basis for determining the re-appointment of Directors at the Annual General Meeting (AGM) of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Based on the assessment exercise conducted for Financial Year 2017, it can be concluded that the Board and its Committees are effective in discharging its responsibilities and there is no weakness identified. However, the Board has identified the following areas/topics to further enhance and assist the Directors in discharging their duties and responsibilities:

- Ports & Logistics industry;
- Energy & Utilities industry;
- Potential risks to MMC Group which could affect its businesses in the future;
- Investment and business plan strategies; and
- Cybersecurity.

The Board acknowledges the importance of continuing education for its Directors to better equipped them with the necessary skills and knowledge to perform their duties. For the Financial Year 2017, all Directors attended various training programme and seminars on issues relevant to the Group.

III. The Remuneration of the Board

The Board has established a formal and transparent process in determining the appropriate remuneration package for the Board.

The Board, with the assistance of the Nomination and Remuneration Committee, reviews the level of remuneration of Directors to ensure that it is sufficient to attract and retain the Directors needed to lead the Company to success. The level of remuneration reflects the experience and level of responsibilities undertaken by the Directors.

The details of the remuneration received by the Non-Executive Directors and the GMD for the Financial Year 2017 for the Group is set out in the table below:

EXECUTIVE DIRECTOR						
No.	Name	Salary, bonus and defined contribution (RM)	Benefits (RM)	Remuneration received from Subsidiaries (RM)		Total (RM)
1.	Dato' Sri Che Khalib Mohamad Noh	5,175,514.60	167,400.84	154,897.12		5,497,812.56
NON-EXECUTIVE DIRECTORS						
No.	Name	Board Fee (RM)	Meeting and Fixed Allowances (RM)	Benefits (RM)	Remuneration received from Subsidiaries (RM)	Total (RM)
1.	Tan Sri Dato' Seri Shamsul Azhar Abbas	600,000.00	25,500.00	83,925.92	703,500.00	1,412,925.92
2.	Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman Haji Wan Yaacob ¹	35,009.02	18,752.25	–	–	53,761.27
3.	Dato' Abdullah Mohd Yusof	96,000.00	117,500.00	35,000.00	–	248,500.00
4.	Datuk Ooi Teik Huat	96,000.00	96,000.00	35,000.00	78,000.00	305,000.00
5.	Dato' Abdul Hamid Sh Mohamed	96,000.00	76,000.00	28,717.00	–	200,717.00
6.	Dato' Siti Halimah Ismail	96,000.00	37,500.00	5,000.00	–	138,500.00
7.	Tuan Syed Naqiz Shahabuddin Syed Abdul Jabbar	96,000.00	37,500.00	35,000.00	–	168,500.00
8.	Dato' Ir. Jamaludin Osman ²	59,871.00	10,000.00	30,000.00	–	99,871.00

¹ Retired as a Non-Independent Non-Executive Director on 11 May 2017

² Appointed as a Non-Independent Non-Executive Director with effect from 17 May 2017

The Board, through the Nomination and Remuneration Committee, also, periodically reviews the general remuneration policy of MMC Group of Companies to ensure that the remuneration is attractive to retain and attract the best talents.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

IV. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises wholly of Independent Directors. The Terms of Reference of the Nomination and Remuneration Committee is disclosed in the Board Policy Manual which is made available on the Company's website at www.mmc.com.my.

The Nomination and Remuneration Committee had undertaken the following activities during the Financial Year 2017:

- Evaluation of the size, composition and effectiveness of the Board;
- Re-election of Directors and continuation in office as Independent Director at the 2017 AGM;
- Proposed Group Policy to standardise the management of expatriates' salaries against the currency fluctuation;
- Proposed pay grades and salary ranges review;
- Proposed remuneration review, annual increment and performance bonus for the employees;
- Proposed promotion recommendation of Senior Management member;
- Proposed remuneration review, annual increment and performance bonus for the GMD;
- Proposed appointment of new Non-Independent Non-Executive Director;
- Proposed revised Terms and Conditions of employment in Employee Handbook for Executives and Non-Executives;
- Proposed implementation of adjustment payment and adjuster;
- Proposed establishment of Human Resource Operating Manual;
- Proposed salary benchmarking of Senior Management; and
- Proposed appointment of new Independent Non-Executive Director.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**I. The Audit Committee of the Board**

The Audit Committee comprises three (3) members who are Independent Directors. The Audit Committee is chaired by the Senior Independent Director, YBhg. Dato' Abdullah Mohd Yusof.

The effectiveness and the composition of the Audit Committee are evaluated annually through the Board Evaluation Assessment, with a view to maintain an independent and effective Audit Committee. The Board, through the Nomination and Remuneration Committee, will ensure that only Independent Director who is financially literate with the appropriate knowledge and experience will be appointed to the Audit Committee.

The role of the Audit Committee and the number of meetings held during the financial year as well as the attendance of each member are set out in the Audit Committee Report in the Company's Annual Report.

II. Risk Management and Internal Control Framework

The Risk Management and Internal Control Framework of the Group was approved by the Board.

The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system of the Group to ensure that significant risks faced by the Group are being managed appropriately to respond to changes in the business environment. There are two (2) Committees at the Board level that have the primary risk management and internal control oversight responsibilities:

- The Finance, Investment and Risk Committee – oversight over risk management; and
- The Audit Committee – oversight on governance, internal control system and financial matters.

Both the Finance, Investment and Risk Committee and the Audit Committee comprised exclusively of Independent Directors.

There was no major internal control weakness identified during the year under review that may result in any material loss or uncertainty to the Company.

The details of the Risk Management and Internal Control Framework of the Group are disclosed in the Company's Annual Report under the Statement of Risk Management and Internal Control.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**I. Dialogue between the Company and Investors**

The Company continues to meet with research analysts, fund managers, members of the media/business editors and institutional investors, from both the local and international investment community. In 2017, MMC participated in investor conferences to provide updates on the latest developments within the Group.

MMC's objective is to give investors the best information possible so that they can accurately apply it to evaluate the Company. Relationships with the investment community are built on integrity, qualitative and timely information and Management's ability to perform and deliver effectively. Communication is a two-way process whereby we seek to understand the attitudes of investors towards the Company and relay this feedback to Management for any follow-up action.

There is also a dedicated section on Investors' Relation on the Company's website at www.mmc.com.my for dissemination of corporate and financial disclosures.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. Annual General Meeting (AGM)

The Company values feedback from its shareholders and encourages them to actively participate in discussions and deliberations. AGMs are held each year to consider the ordinary business of the Company and any other special business. Each item of special business included in the notice is accompanied by an explanation of the effects of the proposed resolution. In compliance with the Listing Requirements, all resolutions tabled at the AGM will be voted by poll, and an announcement will be made on the detailed results of the poll showing the number of votes cast for and against each other.

The GMD will present the highlights of the MMC Group's financial performance and business operations overview of the Company for the preceding financial year, during the AGMs, to deepen the shareholders' understanding of the Company's state of affairs.

During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Group Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

All Directors attended the Company's Forty-First AGM (41st AGM) held on 11 May 2017 and engaged directly with the shareholders as well as responded to queries raised by the shareholders. The voting of the resolutions at the 41st AGM was also conducted through the electronic voting system.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continuously review and refine its corporate governance practices and procedures throughout the Group in the best interest of all our shareholders and stakeholders.

The Corporate Governance Overview Statement has been approved by the Board at its Meeting on 9 March 2018.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

IN LINE WITH PARAGRAPH 15.26(B) OF THE BURSA MALAYSIA SECURITIES BERHAD'S ("BURSA SECURITIES") MAIN MARKET LISTING REQUIREMENTS ("MMLR") ON THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS, THE BOARD OF DIRECTORS IS PLEASED TO PRESENT THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL ("THE STATEMENT") FOR MMC CORPORATION BERHAD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017.

BOARD RESPONSIBILITY

The Board of Directors ("Board") acknowledges its overall responsibility for maintaining a sound system of risk management and internal control to safeguard shareholders' investments, the Group's assets and other stakeholders' interests.

The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system. This is to ensure that significant risks faced by the Group are being managed appropriately to respond to changes in the business environment. There are two committees at the Board level that have the primary risk management and internal control oversight responsibilities:

- The Finance, Investment and Risk Committee ("FIRC") – oversight over risk management.
- The Audit Committee ("AC") – oversight on governance, internal control system and financial matters.

RISK MANAGEMENT

The risk management and internal control systems are designed to manage, rather than eliminate risks that hinder the Group from achieving its goals and objectives. Risk management encompasses the identification, analysis, evaluation, treatment, communication, review and monitoring of the risks in relation to the identified business objectives.

Risk Management Framework

The Enterprise Risk Management Policy and Framework ("Framework") is aligned to the ISO 31000 "Risk Management - Principles and Guidelines". The Framework identifies the necessary resources to ensure that risk management is embedded in the Group's practices and processes.

Our policy is to identify, evaluate and mitigate the risks to protect the Group from financial losses, uncertainty and lost opportunities.

All risks relevant to the achievement of business objectives are evaluated. The relevant controls, action plans and Risk Owners are also identified. Each risk is rated according to its severity level depending on its likelihood and impact.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Monitoring and Review

The objective of monitoring and reviewing the risk management process is to provide assurance that risks are being managed effectively. Formal reporting has been instituted at the departmental, corporate and Board levels (including the Operating Companies Board) and contain the significant risks identified by the business during the period.

Risk Reporting

The Group risk profiles are consolidated and reviewed on a quarterly basis by the Group Risk Management Department. The Quarterly Group Risk Management Reports are discussed and deliberated at MMC's Risk Management Committee (RMC) chaired by the Group Managing Director (GMD). The reports are subsequently tabled to the Finance, Investment and Risk Committee (FIRC) for deliberation and recommendation to the Board on the identified risks, current controls and the mitigation actions taken. The reports are later submitted to the Board for review and notation.

At the operating companies level, their risk reports are deliberated by their respective risk management committees or management committees. Subsequently the risk report is tabled to their respective Audit Committees and/or Boards.

Risk Reporting Application System

The Group risk profiles are monitored through a risk management solution, namely the Q-Radar ERM System, an online monitoring and database system for risk management. The system enables online real-time monitoring of risk management activities and record risk profiles for the Group.

INTERNAL CONTROL SYSTEM

The system of internal control is designed to provide reasonable assurance against the occurrence of any event that could prevent the achievement of the Group goals and objectives. The key components of internal control encompasses the following key control processes: -

Establishment of Various Committees

Various Board Committees and Management Committees have been instituted to strengthen governance and ensure accountability, and assist the Board in discharging its duties. Among the committees are:

Board Level

- Audit Committee
- Finance, Investment and Risk Committee
- Nomination and Remuneration Committee

Management Level

- Management Committee
- Risk Management Committee
- Project Management Committee
- Foreign Exchange Committee

Organisational Structure

The internal control of the Group is supported by a formal organisational structure with clear lines of authority and responsibility. Qualified and experienced management personnel have been appointed to oversee the delivery of the Group objectives by the operating companies.

Limits of Authority

The Limits of Authority ("LOA") identify the various persons/authorities responsible for different business transactions including matters that require Board approval. It sets out a clear line of accountability and responsibility of the persons/authorities to facilitate decision making and approval at the appropriate level in the organisation's hierarchy.

Business Plan and Budget

The Group requires all operating companies to prepare annual business plans and budgets which are recommended by management and challenged and approved by their respective Boards. The business plans and budgets are then consolidated for the holding company's Board deliberation and approval.

Strategy and Budget Challenge

The Group's strategic directions and budgets for the new year are formulated and revised annually, taking into account changes in the internal and external environment and risks faced. The strategic directions and budgets are also reviewed annually during a Strategy and Budget Challenge with the Board and at reasonable intervals during implementation by the management.

Quarterly Performance Reviews

The Group performance is reviewed and monitored on a quarterly basis against the business plans and budgets approved by the Board. The report covers all key financial and operational indicators as well as key strategic initiatives undertaken by the companies during the year.

These are also discussed at the subsidiaries' Board meetings to ensure that their performance targets and objectives are met.

Joint Ventures and Associates

The Group ensures that investments and interests in material joint ventures and/or associates, are protected by having board representation at the respective joint ventures and/or associates. The management of the joint ventures/associates is also responsible to oversee the operation and performance of the joint venture and/or associates. Relevant financial and operational information of these joint ventures/associates are provided regularly to the holding company.

Group Internal Audit

The Group Internal Audit Department provides independent assurance on the existence, adequacy and effectiveness of the governance, risk management and control processes to achieve the Group's objectives.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Policies and Procedures

Relevant policies and procedures have been approved by the Board and relevant authorities to ensure that the Group values and adequate control mechanisms are embedded in business operations. Periodic review is done to ensure its relevance and effectiveness.

Whistle Blowing

A Whistleblow Policy is available and a whistleblower channel is provided for all employees and third parties to disclose improper conduct. This Policy also accords protection to whistleblowers from detrimental action.

Business Continuity Management Systems (BCMS)

The Company has implemented a Business Continuity Management System which is aligned to the ISO 22301 "Societal security – Business Continuity Management Systems (BCMS) – Requirements" standard to ensure organisation resilience.

Several drills have been conducted by the operating companies and Head Office to confirm that the BCMS programme meets the objectives set in the policy and that the organisation's Business Continuity Plan (BCP) is fit for purpose.

As part of the continual improvement to the system, changes are made to the BCP where necessary and appropriate based on the results of the exercises conducted.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM EFFECTIVENESS

The Board reviews the effectiveness of the risk management and internal control system through the following monitoring and assessment mechanisms:

- Quarterly reviews on the Group's actual financial and operational performance versus planned performance and other key financial and operational performance indicators.
- Review of specific transactions, projects or opportunities are also discussed between the Management and the Board as and when required. This allows the Board and the Management to manage potential risks.
- The Group's Risk Management Report is presented quarterly to the FIRC by the Group Risk Management Department to provide an overview of the Group's key risks and how they are being addressed. It also includes the summary report on Health, Safety and Environment of the Group. The report is also presented to the Board. The Board notes and provides its views which are then communicated to the respective risk owners by the Risk Management Department.
- The AC deliberates and discusses reports issued by the Group Internal Audit Department and external auditors pertaining to financial, operational, governance, risk management and control matters. The status of preventive and corrective actions for issues discussed are also updated to the AC to enable monitoring of the actions.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS

The risk management and internal control described above have been implemented in the Group for the year under review and up to the date of the approval of this statement for inclusion in the annual report.

In making this statement, the Board has received assurance from the GMD, Group Chief Financial Officer and Head of Group Risk Management that risk management and internal control are operating adequately and effectively in all material aspects for the reporting period.

Group Internal Audit has also provided assurance on the governance, risk management and controls of the entities audited during the year.

For the financial year under review, the Board is of the opinion that the risk management and internal control are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of MMC.

There was no major internal control weakness identified during the year under review that may result in any material loss or uncertainty that would require disclosure in this annual report.

This statement has been prepared in line with the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control Guidance for Directors of Listed Issuers.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. They have reported to the Board under Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of Statement on Risk Management and Internal Control Guidelines, nor is the Statement factually inaccurate.

The Statement has been approved by the Board of Directors at its meeting on 9 March 2018.

AUDIT COMMITTEE REPORT

THE AUDIT COMMITTEE (AC) PROVIDES CRITICAL OVERSIGHT OF THE GROUP FINANCIAL REPORTING PROCESS; MONITORING THE EXTERNAL AND INTERNAL AUDITING PROCESSES; COMPLIANCE WITH RELEVANT LEGAL AND STATUTORY MATTERS AND OTHER MATTERS DELEGATED BY THE BOARD TO THE AC THROUGH ITS APPROVED TERMS OF REFERENCE.

AUDIT COMMITTEE COMPOSITION AND MEETINGS HELD

The AC composition, type of directorship and attendance of meetings held in financial year ended 31 December 2017 are set out below.

No	Name	Directorship	No. of Meetings Attended
1	Dato' Abdullah Mohd Yusof (Chairman)	Senior Independent Non-Executive Director	5/5
2	Tan Sri Dato' Ir. (Dr) Wan Abdul Rahman Haji Wan Yaacob (Member) (retired)	Non Independent Non-Executive Director	2/2
3	Datuk Ooi Teik Huat (Member)	Independent Non-Executive Director	5/5
4	Dato' Abdul Hamid Sh Mohamed (member)	Independent Non-Executive Director	5/5

Tan Sri Dato' Ir (Dr) Wan Abdul Rahman Haji Wan Yaacob did not seek re-election and retired as a director during the Company's Annual General Meeting on 11 May 2017.

The composition of the AC is in line with Paragraph 15.09 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), where;

- All AC members are Non-Executive Directors and a majority of them are Independent Non-Executive Directors, including the Chairman.
- No alternate director is appointed as a member.
- At least one member Datuk Ooi Teik Huat is an MIA member and fulfils the requirement of paragraph 15.09(1)(c)(i) of the MMLR.

Dato' Abdullah has exceeded the limit of tenure of an Independent Director (cumulative of nine years). Dato' Abdullah has sought and obtained approval to remain as an Independent Director from MMC Corporation Berhad's shareholders at last year's Annual General Meeting. He will not be seeking re-election this year.

The meetings are normally attended by the Group Managing Director, Chief Financial Officer, Chief Internal Auditor and upon invitation the External Auditors. Four (4) of the meetings held were planned quarterly meetings while one (1) was a Special AC meeting.

AUDIT COMMITTEE REPORT

The Company Secretary acts as secretary to the AC. Minutes of each meeting are distributed to each board member. The Chairman of the AC reports key matters discussed at each meeting to the Board.

The Terms of Reference of the Audit Committee are contained in the Board Charter which is included in the Company's website.

SUMMARY OF WORK DONE BY AUDIT COMMITTEE

During the financial year, the AC performed the following:

Financial Reporting & Compliance

- Reviewed the quarterly financial results of the Company and the Group on 24 February, 26 May, 24 August and 21 November 2017 prior to recommending them to the Board for approval. The matters reviewed and discussed were:
 - Financial and operational performance, and financial statements.
 - Budget achievement, reasons for the variances and efforts to meet targets.
 - Internal and external matters impacting financial and operational performance, and the actions to be taken.
- Reviewed quarterly announcements prior to recommendation to Board for approval to ensure that the announcements reflect the situation and is representative of their views.
- Reviewed the annual financial statements and operational performance on 23 February 2018 and its suitability to be recommended to the Board for approval.

External Audit

- Reviewed and recommended to the Board the External Auditors' quarterly reports and year-end financial statement on significant matters on 24 February, 26 May, 24 August, 21 November 2017 and 23 February 2018 respectively, covering amongst others, the assessment of the following:
 - Changes in or implementation of major accounting policy changes.
 - New/significant developments during the quarter, updates of other matters raised in the previous quarters and Summary of Corrected and Uncorrected Misstatements.
 - Significant matters relating to provisions, legal and contracts, value of investments, tax matters, compliance with accounting standards and legal requirements.

- Reviewed and recommended to the Board the External Auditors' 2017 Audit Plan on 24 August 2017, which detailed the terms of engagement for statutory audit, independence of the external audit team, audit approach, and areas of audit emphasis, risk assessment, reporting timeline as well as development in laws and regulations, and changes in regulatory requirements, and in particular:
 - Malaysian Financial Reporting Standards, (MFRS) Amendments and IC Interpretations effective implementation dates.
 - Impact of enforcement of Companies Act 2016.
 - Release of new Malaysian Code on Corporate Governance 2017.
 - Guidance on disclosures in notes to quarterly report issued by Bursa Malaysia on 31 July 2017.

- Reviewed the External Auditors' fees and recommending it to the Board for approval.
- Held 2 discussions with the External Auditors without the presence of management to ensure an adequate level of cooperation between the External Auditors and management.
- Obtained written assurance from the External Auditors that they are independent according to the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

Internal Audit

- Reviewed and approved the Annual Internal Audit Plan for 2018, to ensure the adequacy of scope, functions, competency and resources and that it has the necessary authority to carry out its work.
- Reviewed and deliberated on the planned and ad hoc internal audit reports issued and the adequacy of management response and actions to address control deficiencies.
- Reviewed quarterly updates on the progress of the Annual Internal Audit Plan 2017, revision to the Plan, status of corrective actions on whether appropriate actions are taken on the recommendations of Group Internal Audit Department (GIA), and results of Customer and Audit Committee Satisfaction Surveys to improve internal audit services.
- Reviewed the initiatives carried out by GIA for the Group to promote collaboration, harmonization, standardization and improving competencies in internal auditing.

AUDIT COMMITTEE REPORT

Others

- Quarterly review and monitoring of recurrent related party transactions' aggregate values and the percentage ratio to ascertain whether shareholders' mandate is required.
- Reviewed a related party transaction on the proposed acquisition of ordinary shares on 3 April 2017. A report was presented by an independent consultant and the AC reviewed the valuation of shares to ensure that the acquisition is in the best interest of MMC; is fair, reasonable and on normal commercial terms; and not detrimental to the interest of the non-interested shareholders of MMC.
- Reviewed the Audit Committee Report 2017 for incorporation into the Annual Report 2017 and recommended it to the Board for approval.

There was no employee share option scheme for the AC to review and verify.

SUMMARY OF WORK DONE BY GROUP INTERNAL AUDIT

Group Internal Audit

- GIA has an independent status in the organisation, with direct reporting to the Audit Committee and an administrative reporting the Group Managing Director.
- GIA's purpose, objectives, authority and responsibilities are spelt out in the GIA Charter which is approved by the AC.
- GIA's mission is to provide independent and objective assurance on governance, risk management and control systems reviewed that will improve and add value to the Company and Group.
- The Company is a corporate member of The Institute of Internal Auditors.
- Updates are obtained on the developments in the internal audit profession and staff are sent for internal audit training to enable them to be competent auditors.
- The standards and practices adopted by GIA are aligned to the International Professional Practices Framework issued by The Institute of Internal Auditors.
- GIA is committed to providing independent and objective assurance on governance, risk management and control processes according to the International Professional Practices Framework on Internal Auditing.
- The Chief Internal Auditor is a Certified Internal Auditor and also has the Certification in Risk Management Assurance from The Institute of Internal Auditors.
- There were 9 staff in GIA during the financial year.
- The total amount incurred by GIA during the financial year is RM2.6 million.

Assurance Services

- GIA prepared a risk based Annual Internal Audit Plan 2017 for the Company and a Consolidated Annual Audit Plan for the Group. The Plan was reviewed by the AC and approved for implementation.
- Quarterly updates were prepared for the AC detailing the status of the 2017 Plan on the assignment completed, in progress and outstanding. Revisions were made to the Plan due to changes in risk and operational requirements and the AC was also updated on them.
- A total of 27 planned and ad hoc assignments were presented to the AC covering the areas of control environment, risk management, procurement, project implementation & contract management, maintenance, revenue assurance, and human resource management.
- Follow-up audits were also performed to monitor and assess the closure of governance, risk management and control matters reported earlier.
- Internal Audit Reports were presented to the respective AC of the Company, subsidiary and associate or Board for the audits conducted by GIA.
- Quarterly updates on staff movement and recruitment were provided to the AC to enable the assessment of the adequacy of the competencies, skills and resources to provide adequate assurance on the governance, risk management and controls of the entities audited.
- Customer Satisfaction Survey and Audit Committee Satisfaction Survey were conducted and the results were presented to the AC for their information and assessment of the services provided.

Group Support Services

- Initiated collaborative audits in the Group to enable sharing of best practices on selected audits.
- Presented the revised International Professional Practices Framework on Internal Auditing to auditors in the Group.
- Facilitated Cybersecurity Risk Assessment to assist companies in the Group to identify, assess and draw up mitigation measures, as well as plan for future audits by in-house and outsourced service provider.
- Held Certified Internal Auditor preview sessions to encourage internal auditors to be certified and improve professionalism.
- Provided guidance to newly acquired subsidiaries and existing subsidiary to draw up, standardize and harmonize Internal Audit Charter, Internal Audit Rating Systems and Internal Audit Reports.
- Provided oversight/guidance/assistance to internal audit functions on audit planning, report review and draft annual Internal Audit Plan for 2017.

The report has been approved by the Board of Directors at its meeting on 9 March 2018.

ADDITIONAL COMPLIANCE INFORMATION

1) MEETING ATTENDANCE RECORD FOR THE FINANCIAL YEAR 2017

No.	Name	Board	Audit Committee	Nomination and Remuneration Committee	Finance, Investment and Risk Committee
1.	Tan Sri Dato' Seri Shamsul Azhar Abbas	7/7	–	4/4	–
2.	Dato' Sri Che Khalib Mohamad Noh	6/7	–	–	–
3.	Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman Haji Wan Yaacob ¹	2/3	2/2	–	–
4.	Dato' Abdullah Mohd Yusof	6/7	5/5	4/4	5/5
5.	Datuk Ooi Teik Huat	7/7	5/5	4/4	5/5
6.	Dato' Abdul Hamid Sh Mohamed	7/7	5/5	–	5/5
7.	Dato' Siti Halimah Ismail	7/7	–	–	4/5
8.	Tuan Syed Naqiz Shahabuddin Syed Abdul Jabbar	7/7	–	4/4	–
9.	Dato' Ir. Jamaludin Osman ²	4/4	–	–	–

¹ Retired as a Non-Independent Non-Executive Director and ceased as a member of Audit Committee with effect on 11 May 2017

² Appointed as a Non-Independent Non-Executive Director with effect from 17 May 2017

2) UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised from corporate proposals.

3) STATUTORY AUDIT, AUDIT-RELATED AND NON-AUDIT FEES

The details of the statutory audit, audit-related and non-audit fees paid/payable to Messrs. PricewaterhouseCoopers PLT (PwC) for services rendered to the Company and the Group for the financial year ended 31 December 2017, are as follows:

	Group RM'000	Company RM'000
Statutory Audit Fees	1,503	475
Audit-Related Fees ¹	374	328
Non-Audit Fees ²	870	150

¹ Fees incurred in relation to the performance of quarterly reviews

² Fees incurred primarily in relation to advisory services

4) MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

During the financial year ended 31 December 2017, the following material contract was entered into by the Company and its subsidiaries involving the interest of the Major Shareholder:

• Share Sale and Purchase Agreement dated 3 April 2017 ("SSA")

Agreement for the sale and purchase of shares between Seaport Terminal (Johore) Sdn Bhd (STJSB) and MMC Port Holdings Sdn Bhd (MMCPH) dated 3 April 2017 for MMCPH to acquire 51.0% of the ordinary share capital of Penang Port Sdn Bhd comprising 37,459,501 ordinary shares, from STJSB for a consideration of RM220.0 million (Consideration). The Consideration will be satisfied by cash in accordance with the provisions of the SSA. MMCPH and STJSB had, by way of a letter dated 11 October 2017, mutually agreed to extend the period to satisfy or waive the conditions precedent in the SSA up to and including 10 April 2018.

MMCPH is a wholly-owned subsidiary of MMC.

STJSB, holding a 51.76% interest in MMC, is a Major Shareholder of MMC.

5) CONTRACTS RELATING TO LOAN

There were no contracts relating to loans by the Company involving Directors and Major Shareholders.

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, construction, mining and mineral exploration.

Information relating to the subsidiary companies, joint ventures and associated companies are described in Note 38 to the financial statements.

There are no significant changes in the nature of the activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	267,456	169,198
Attributable to:		
– owners of the Parent	225,408	169,198
– non-controlling interests	42,048	–
	267,456	169,198

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIVIDEND

The dividend paid or declared by the Company since 31 December 2016 are as follows:

	RM'000
In respect of the financial year ended 31 December 2016, as shown in the Directors' report of that financial year, a final single-tier dividend of 4.0 sen per ordinary share, paid on 5 July 2017	121,802

In respect of the financial year ended 31 December 2017, the Directors recommend the payment of a final single-tier dividend of 4.0 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM121,802,342, which is subject to the approval of members at the forthcoming Annual General Meeting of the Company. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Dato' Seri Shamsul Azhar Abbas, Group Chairman

Dato' Sri Che Khalib Mohamad Noh

Dato' Abdullah Mohd Yusof

Datuk Ooi Teik Huat

Dato' Abdul Hamid Sh Mohamed

Dato' Siti Halimah Ismail

Tuan Syed Naqiz Shahabuddin Syed Abdul Jabbar

Dato' Ir. Jamaludin Osman

Mr. Tee Beng Thong

Tan Sri Dato' Ir. (Dr.) Wan Abdul Rahman Haji Wan Yaacob

(Appointed on 17.5.2017)

(Appointed on 1.1.2018)

(Resigned on 11.5.2017)

The Directors of subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of the report are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2017, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments and benefit-in-kind received or due and receivable by Directors or the fixed salary of a full time employee of the Company and its related corporations as disclosed in Note 7(ii) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company and its related corporations during the financial year.

INDEMNITY FOR DIRECTORS AND OFFICERS

The Directors and officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance is maintained on a Group basis by MMC Corporation Berhad and the total premium paid by MMC Corporation Berhad Group during the financial year amounted to RM99,120.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of impaired receivables and the impairment of receivables and satisfied themselves that all known impaired receivables had been written-off and that adequate impairment had been made for impaired receivables; and
- (b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written-off for impaired receivables or the amount of the impairment of receivables in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group or the Company which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard Indra Cita Sdn. Bhd., a company incorporated in Malaysia as the ultimate holding company.

AUDITORS REMUNERATION

Details of the auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with their resolution dated 5 April 2018.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
GROUP CHAIRMAN

DATO' SRI CHE KHALIB MOHAMAD NOH
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Dato' Seri Shamsul Azhar Abbas and Dato' Sri Che Khalib Mohamad Noh, two of the Directors of MMC Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 127 to 228 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 5 April 2018.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
GROUP CHAIRMAN

DATO' SRI CHE KHALIB MOHAMAD NOH
GROUP MANAGING DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Mohd Shahar Yope @ Yahya, the officer primarily responsible for the financial management of MMC Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 127 to 228 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD SHAHAR YOPE @ YAHYA

Subscribed and solemnly declared by the abovenamed Mohd Shahar Yope @ Yahya

At: Kuala Lumpur in Wilayah Persekutuan

On: 5 April 2018

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MMC Corporation Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 127 to 228.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment assessment on goodwill and intangible assets</u></p> <p>The Statement of Financial Position of the Group includes RM1,984 million and RM980 million of goodwill and intangible assets respectively arising from the acquisition of subsidiaries.</p> <p>We focused on this area due to the significance of the carrying amounts (15.4% of the total Group non-current assets at 31 December 2017) and the complexity and judgmental nature of the key assumptions used in determining the value in use ("VIU") of the respective CGUs to which goodwill and intangible assets have been allocated. These key assumptions are:</p> <p>Port segments:</p> <ul style="list-style-type: none"> Twenty-foot Equivalent Units ("TEU"), terminal growth and discount rates. <p>Airport segment:</p> <ul style="list-style-type: none"> Passenger volumes and value of land. <p>In accordance with MFRS 136 "Impairment of Assets", management carried out annual impairment testing for both Cash Generating Units ("CGUs") during the financial year.</p> <p>Refer to Note 20 to the financial statements.</p>	<p>Our procedures in relation to the impairment assessment are to test appropriateness of management's identification of the Cash Generating Units ("CGUs") and to evaluate the reasonableness of the key assumptions used in preparing the discounted cash flows to determine the value-in-use ("VIU") of each CGU.</p> <p>In assessing the reasonableness of the key assumptions used in the VIU calculations, we performed the following procedures:</p> <ul style="list-style-type: none"> Agreed the cash flows to the current financial budgets approved by the Directors for the next financial year and projections for the following four years; Compared the key assumptions used in the approved budgets against historical results; Compared the discount rates used with other organisations in similar industry; Checked that the terminal growth rate did not exceed the long-term average growth rate for each industry in which the CGUs operate; and Performed sensitivity analysis on the value-in-use by applying reasonably possible change in: i. TEU growth, terminal growth and discount rates for port segment; and ii. the value of land and passenger growth for the airport segment. The key assumptions that required significant judgement for the port and airport segments are as follows: <p><u>Ports</u></p> <ol style="list-style-type: none"> Twenty-foot Equivalent Units ("TEU") growth <p>TEU is the significant assumption used in deriving the discounted cash flows for the VIU calculations. We have assessed the reasonableness of the TEUs used in the projections against historical results and long term average industry growth rate.</p> Terminal growth and discount rate <p>The terminal growth and discount rate are significant assumptions used in deriving the discounted cash flows for the VIU calculations. We tested the appropriateness of the terminal growth rate by comparing with current gross domestic product growth, inflation and average growth rate for the industry. The appropriateness of the discount rate is tested by benchmarking with the industry average.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Impairment assessment on goodwill and intangible assets</u> (continued)</p>	<p><u>Airport</u></p> <ol style="list-style-type: none"> 1. Passenger volumes Passenger volumes is one of the significant assumption in deriving the discounted cash flows for the VIU calculation of the Airport segment. We have assessed the reasonableness of the passenger volumes used in the projections against historical results and average growth rate. 2. Value of property development land Value of the land is the other significant assumption in deriving the recoverable amount of the CGU. We have compared the value used to the latest transacted price of comparable land in close proximity during the financial year. <p>Based on the procedures performed above, we did not find any material exceptions to the assumptions and methodology used in estimating the recoverable amount of the CGUs.</p>
<p><u>Carrying amount of investment in a significant associate</u></p> <p>The Group's 37.6% interest in Malakoff Corporation Berhad ("Malakoff") is accounted for under the equity method. The Group's carrying value in Malakoff amounted to RM3,416 million as at 31 December 2017. In that respect, Malakoff is a significant component of the Group.</p> <p>The carrying amount of the Group's investment in Malakoff is significantly impacted by the assessment of the recoverability of the carrying amount of the property, plant and equipment in Malakoff.</p> <p>The assessment for impairment testing requires considerable judgment on the part of both Malakoff and Group's management. A range of possible changes in those judgement and assumptions could cause a material adjustment to the carrying amount of the Group's investment in Malakoff.</p> <p>Refer to Notes 15 and 3(f) to the financial statements.</p>	<p>In support of our work on assessing the appropriateness of the carrying amount of the investment, we have reviewed Malakoff's Auditors' work papers and the related procedures performed. More specifically, their work on assessing the carrying values of the power plants to be recoverable.</p> <p>We examined that appropriate audit evidence has been obtained on the preparation of discounted cash flow models and that the assumptions used by Malakoff were appropriately compared to externally supported inputs. Assumptions such as variable energy tariff rates, capacity factor of power plants and discount rate were assessed through comparison with the power purchase agreement, comparison against actual capacity achieved in the past and comparison against industry discount rate respectively.</p> <p>We performed sensitivity analysis around the extension period of the power plant and discount rate to ascertain the extent of change in those assumptions that would be required for the carrying amount of investment in Malakoff to be impaired. We determined that the disclosures made regarding the assumptions and sensitivity drew attention to the more significant areas of judgement.</p> <p>Based on such work, we did not find any material exception to the assumptions used in assessing the carrying amount of investment in Malakoff.</p>

There are no key audit matters in relation to the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control and the complete 2017 Annual Report which include the Corporate Profile, Corporate Structuring, Corporate Information, Performance at a Glance, Chairman's statement, Management's Discussion and Analysis of Business Operations and Financial Performance, Sustainability Statement, Corporate Social Responsibility, 2017 Corporate Highlights, Corporate Governance Overview Statement, Audit Committee Report and Additional Compliance Information (but does not include the financial statements of the Group and of the Company and our auditors' report thereon).

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MMC CORPORATION BERHAD (Incorporated in Malaysia) (Company No. 30245-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 38 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2019 J
Chartered Accountant

Kuala Lumpur
5 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	4,160,095	4,627,388	1,026,066	1,335,861
Cost of sales	5	(2,618,745)	(2,861,988)	(480,244)	(797,923)
Gross profit		1,541,350	1,765,400	545,822	537,938
Other operating income:					
– items relating to investments		65,718	–	–	–
– others		193,280	192,477	42,341	38,118
Administrative expenses	5	(733,138)	(677,713)	(90,427)	(74,783)
Other operating expenses	5	(356,270)	(368,440)	(68,593)	(100,863)
Finance costs	6	(491,205)	(488,078)	(181,120)	(175,055)
Share of results of:					
– associates		139,647	174,218	–	–
– joint ventures		92,357	74,878	–	–
Profit before zakat and taxation	7	451,739	672,742	248,023	225,355
Zakat expense	8	(5,913)	(6,871)	(1,783)	(2,581)
Tax expense	9	(178,370)	(64,942)	(77,042)	(45,913)
Net profit for the financial year		267,456	600,929	169,198	176,861
Net profit attributable to:					
Owners of the parent		225,408	549,662	169,198	176,861
Non-controlling interests		42,048	51,267	–	–
		267,456	600,929	169,198	176,861

The notes on pages 140 to 228 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other comprehensive income/(loss), net of tax					
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale financial assets					
– fair value gains		8,554	3,681	–	–
– disposal		(65,410)	–	–	–
Movement in associates' reserve		5,306	23,154	–	–
Fair value adjustment – cash flow hedge		(33,140)	23,687	–	–
Currency translation differences		(33,168)	15,140	–	–
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability		(4,063)	(619)	–	–
Other comprehensive (loss)/income for the financial year (net of tax)		(121,921)	65,043	–	–
Total comprehensive income for the financial year		145,535	665,972	169,198	176,861
Total comprehensive income attributable to:					
Owners of the parent		103,487	614,705	169,198	176,861
Non-controlling interests		42,048	51,267	–	–
		145,535	665,972	169,198	176,861
Earnings per ordinary share attributable to the equity holders of the Company (sen):					
– basic	10	7.4	18.1		

The notes on pages 140 to 228 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31.12.2017 RM'000	31.12.2016 RM'000 (Restated)	1.1.2016 RM'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	7,088,789	7,011,051	7,190,461
Investment properties	13	1,236,276	1,258,268	1,194,068
Interests in associates	15	4,516,116	4,558,660	4,490,229
Investments in joint arrangements	16	553,981	313,141	271,522
Available-for-sale financial assets	17	3,088	3,352	3,144
Inventories	22	1,861,811	1,734,356	1,381,246
Trade and other receivables	19	313,120	109,362	192,754
Derivative financial instruments	32	–	5,154	–
Intangible assets	20	2,964,383	2,914,441	2,855,513
Deferred tax assets	21	717,255	770,377	744,960
		19,254,819	18,678,162	18,323,897
CURRENT ASSETS				
Inventories	22	119,082	211,294	467,000
Trade and other receivables	24	2,209,596	2,329,908	1,544,216
Derivative financial instruments	32	3,868	21,241	16,282
Tax recoverable		71,724	42,620	76,813
Available-for-sale financial assets	17	–	77,642	70,481
Deposits, bank and cash balances	25	1,005,525	1,224,409	1,299,623
		3,409,795	3,907,114	3,474,415
Assets held for sale	23	148,454	149,228	520
		3,558,249	4,056,342	3,474,935
TOTAL ASSETS		22,813,068	22,734,504	21,798,832
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Share capital	26	2,344,276	304,506	304,506
Reserves		7,170,635	9,228,060	8,732,786
		9,514,911	9,532,566	9,037,292
Non-controlling interests		717,797	697,952	933,127
TOTAL EQUITY		10,232,708	10,230,518	9,970,419

The notes on pages 140 to 228 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31.12.2017 RM'000	31.12.2016 RM'000 (Restated)	1.1.2016 RM'000 (Restated)
NON-CURRENT LIABILITIES				
Redeemable preference shares	27	33,349	50,023	70,188
Borrowings	28	7,474,881	7,551,654	7,368,442
Land lease received in advance	29	235,756	254,229	262,743
Provision for retirement benefits	30(c)	16,595	15,486	13,380
Deferred income	31	230,308	259,465	299,046
Deferred tax liabilities	21	543,408	527,653	549,966
Trade and other payables	30	311,866	308,792	281,299
		8,846,163	8,967,302	8,845,064
CURRENT LIABILITIES				
Borrowings	28	1,350,043	1,494,684	1,354,059
Trade and other payables	30	2,343,477	1,999,840	1,593,036
Tax payables		3,278	12,843	7,002
Deferred income	31	29,259	29,302	29,252
Derivative financial instruments	32	8,140	15	–
		3,734,197	3,536,684	2,983,349
TOTAL LIABILITIES		12,580,360	12,503,986	11,828,413
TOTAL EQUITY AND LIABILITIES		22,813,068	22,734,504	21,798,832

The notes on pages 140 to 228 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	121,286	14,357
Investments in subsidiaries	14	7,342,936	6,195,783
Interests in associates	15	917,109	922,083
Investments in joint arrangements	16	21,881	21,081
Amounts due from subsidiaries	18	366,827	1,527,317
Trade and other receivables	19	61,486	9,920
Deferred tax assets	21	–	27,418
		8,831,525	8,717,959
CURRENT ASSETS			
Inventories	22	7,296	9,539
Trade and other receivables	24	969,789	950,843
Derivative financial instruments	32	3,868	5,526
Tax recoverable		20,856	–
Deposits, bank and cash balances	25	177,915	247,717
		1,179,724	1,213,625
Assets held for sale	23	303	303
		1,180,027	1,213,928
TOTAL ASSETS		10,011,552	9,931,887
EQUITY AND LIABILITIES			
Share capital	26	2,344,276	304,506
Reserves		3,405,115	5,397,489
TOTAL EQUITY		5,749,391	5,701,995
NON-CURRENT LIABILITIES			
Trade and other payables	30	21,800	28,764
Borrowings	28	2,670,879	2,520,557
		2,692,679	2,549,321
CURRENT LIABILITIES			
Borrowings	28	528,000	675,000
Trade and other payables	30	962,574	724,105
Amounts due to subsidiaries	18	78,908	276,005
Tax payables		–	5,461
		1,569,482	1,680,571
TOTAL LIABILITIES		4,262,161	4,229,892
TOTAL EQUITY AND LIABILITIES		10,011,552	9,931,887

The notes on pages 140 to 228 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	*Revaluation reserve RM'000
At 1 January 2017		304,506	2,039,770	98,085	28,120
Transition to no-par value regime on 31 January 2017	26	2,039,770	(2,039,770)	–	–
Net profit for the financial year		–	–	–	–
Other comprehensive income/(loss):					
Share of movement in associates' reserves		–	–	(1,337)	–
Movement in value of investment		–	–	–	–
Disposal of available-for-sale investment		–	–	–	–
Fair value adjustment		–	–	–	–
Currency translation differences		–	–	(33,168)	–
Total other comprehensive loss		–	–	(34,505)	–
Total comprehensive (loss)/income for the financial year		–	–	(34,505)	–
Transactions with owners:					
Acquisition of a subsidiary		–	–	–	–
Compulsory acquisition of NCI		–	–	–	–
Dividend for financial year ended 31 December 2016	11	–	–	–	–
Dividends paid to non-controlling shareholders	14	–	–	–	–
Total transactions with owners		–	–	–	–
At 31 December 2017		2,344,276	–	63,580	28,120

* The revaluation reserves relate to business combination of a subsidiary prior to the adoption of MFRS.

** The distributable capital reserves represent mainly the net gain from disposals of investments prior to adoption of MFRS.

Attributable to owners of the parent						
Non-distributable		Distributable		Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Available-for- sale financial assets RM'000	Cash flow hedge reserve RM'000	**Capital reserves RM'000	Retained earnings RM'000			
59,922	31,085	374,945	6,596,133	9,532,566	697,952	10,230,518
–	–	(374,945)	374,945	–	–	–
–	–	–	225,408	225,408	42,048	267,456
–	6,643	–	(4,063)	1,243	–	1,243
8,554	–	–	–	8,554	–	8,554
(65,410)	–	–	–	(65,410)	–	(65,410)
–	(33,140)	–	–	(33,140)	–	(33,140)
–	–	–	–	(33,168)	–	(33,168)
(56,856)	(26,497)	–	(4,063)	(121,921)	–	(121,921)
(56,856)	(26,497)	–	221,345	103,487	42,048	145,535
–	–	–	–	–	9,000	9,000
–	–	–	660	660	–	660
–	–	–	(121,802)	(121,802)	–	(121,802)
–	–	–	–	–	(31,203)	(31,203)
–	–	–	(121,142)	(121,142)	(22,203)	(143,345)
3,066	4,588	–	7,071,281	9,514,911	717,797	10,232,708

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	*Revaluation reserve RM'000
At 1 January 2016		304,506	2,039,770	83,925	28,120
Net profit for the financial year		–	–	–	–
Other comprehensive income/(loss):					
Share of movement in associates' reserves		–	–	(980)	–
Movement in value of investment		–	–	–	–
Fair value adjustment		–	–	–	–
Currency translation differences		–	–	15,140	–
Remeasurement of defined benefit liability		–	–	–	–
Total other comprehensive income/(loss)		–	–	14,160	–
Total comprehensive income for the financial year		–	–	14,160	–
Transactions with owners:					
Acquisition of NCI		–	–	–	–
Compulsory acquisition of NCI		–	–	–	–
Liquidation of a subsidiary		–	–	–	–
Dividend for financial year ended 31 December 2015	11	–	–	–	–
Dividends paid to non-controlling shareholders	14	–	–	–	–
Total transactions with owners		–	–	–	–
At 31 December 2016		304,506	2,039,770	98,085	28,120

* The revaluation reserves relate to business combination of a subsidiary prior to the adoption of MFRS.

** The distributable capital reserves represent mainly the net gain from disposals of investments prior to adoption of MFRS.

Attributable to owners of the parent						
Non-distributable		Distributable			Non-controlling interests RM'000	Total equity RM'000
Available-for-sale financial assets RM'000	Cash flow hedge reserve RM'000	**Capital reserves RM'000	Retained earnings RM'000	Total RM'000		
56,241	(18,015)	374,945	6,167,800	9,037,292	933,127	9,970,419
–	–	–	549,662	549,662	51,267	600,929
–	25,413	–	(1,279)	23,154	–	23,154
3,681	–	–	–	3,681	–	3,681
–	23,687	–	–	23,687	–	23,687
–	–	–	–	15,140	–	15,140
–	–	–	(619)	(619)	–	(619)
3,681	49,100	–	(1,898)	65,043	–	65,043
3,681	49,100	–	547,764	614,705	51,267	665,972
–	–	–	(8,777)	(8,777)	7,181	(1,596)
–	–	–	(909)	(909)	(255,980)	(256,889)
–	–	–	5,967	5,967	(7,641)	(1,674)
–	–	–	(115,712)	(115,712)	–	(115,712)
–	–	–	–	–	(30,002)	(30,002)
–	–	–	(119,431)	(119,431)	(286,442)	(405,873)
59,922	31,085	374,945	6,596,133	9,532,566	697,952	10,230,518

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Non-distributable			Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	*Capital reserves RM'000	**Capital reserves RM'000	Retained earnings RM'000	
At 1 January 2017		304,506	2,039,770	59,710	243,074	3,054,935	5,701,995
Transition to no-par value regime on 31 January 2017	26	2,039,770	(2,039,770)	(59,710)	(243,074)	302,784	–
Net profit for the financial year		–	–	–	–	169,198	169,198
Transactions with owners:							
Dividend for financial year ended 31 December 2016	11	–	–	–	–	(121,802)	(121,802)
At 31 December 2017		2,344,276	–	–	–	3,405,115	5,749,391
At 1 January 2016		304,506	2,039,770	59,710	243,074	2,993,786	5,640,846
Net profit for the financial year		–	–	–	–	176,861	176,861
Transactions with owners:							
Dividend for financial year ended 31 December 2015	11	–	–	–	–	(115,712)	(115,712)
At 31 December 2016		304,506	2,039,770	59,710	243,074	3,054,935	5,701,995

* The non-distributable capital reserves mainly consist of share premium of another company that merged with the Group in 1976.

** The distributable capital reserves represent mainly the net gain from disposals of investments prior to adoption of MFRS.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
OPERATING ACTIVITIES					
Profit before zakat and taxation		451,739	672,742	248,023	225,355
Adjustments for:					
Depreciation of:					
– property, plant and equipment	12	416,848	416,876	3,730	5,920
– investment properties	13	15,924	6,181	–	–
Amortisation of:					
– rights on airport business	20	4,196	4,195	–	–
– rights on port business	20	5,703	5,414	–	–
– rights on concession assets	20	23,249	19,397	–	–
– land lease received in advance	29	(14,137)	(17,148)	–	–
– deferred income	31	(29,282)	(39,657)	–	–
Impairment of:					
– property, plant and equipment		103	–	–	–
– intangible assets		739	–	–	–
– trade and other receivables	24	15,414	14,877	568	–
– amounts due from subsidiaries		–	–	929	–
– investment in an associate		–	–	4,974	30,947
Loss/(gain) on disposal of:					
– property, plant and equipment		11,592	(62,729)	9	(117)
– assets held for sale		(784)	(217)	–	–
– available-for-sale financial assets		(65,718)	–	–	–
– investment properties		(16,551)	2,731	–	–
– joint ventures		(159)	–	–	–
Write-off of property, plant and equipment		8,682	6,937	–	3
Write-back of:					
– impairment of receivables	24	(4,283)	(6,606)	–	–
Dividend income		(725)	(4,246)	(369,970)	(324,967)
Accretion of interest on borrowings		31,338	32,987	322	772
Interest income		(25,815)	(41,085)	(2,481)	(5,556)
Interest expense		491,205	488,078	181,120	175,055
Share of results in:					
– associates	15	(139,647)	(174,218)	–	–
– joint ventures	16	(92,357)	(74,878)	–	–
Net unrealised (gain)/loss on foreign exchange		(1,041)	2,574	–	–
Provision for retirement benefits	30(c)	1,577	2,336	–	–
Fair value loss on derivative assets		1,658	13,349	1,658	10,500
		1,089,468	1,267,890	68,882	117,912
Changes in working capital:					
Inventories		(35,243)	(97,404)	2,243	(9,539)
Trade and other receivables		(99,916)	(746,649)	(57,779)	(363,837)
Trade and other payables		335,390	367,599	230,640	319,919
Deferred income	31	82	126	–	–
Cash generated from operations		1,289,781	791,562	243,986	64,455
Income tax paid		(154,977)	(72,638)	(75,940)	(34,127)
Zakat paid		(5,913)	(6,871)	(1,783)	(2,581)
Land lease received in advance	29	12,736	25,706	–	–
Retirement benefits paid	30(c)	(466)	(685)	–	–
Staff loans repaid		–	104	–	–
Net cash flow generated from operating activities		1,141,161	737,178	166,263	27,747

The notes on pages 140 to 228 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
INVESTING ACTIVITIES					
Investments in joint ventures	39(b)	(180,800)	(10,823)	(800)	(5,490)
Investment in a subsidiary	39(a)	(16,813)	–	–	–
Disposal of a joint venture	39(c)	4,100	–	–	–
Net cash outflow from liquidation of a subsidiary		–	(1,674)	–	–
Advances to subsidiaries		–	–	(255,569)	(284,390)
Repayment from subsidiaries		–	–	89,610	35,276
Repayment from joint ventures		–	14,419	–	14,419
Advances to joint ventures		(14,164)	–	(14,164)	–
Repayment from associates		872	–	872	–
Advances to associates		–	(1,583)	–	(1,583)
Dividends received from:					
– subsidiaries		–	–	266,958	232,094
– associates		163,819	138,179	53,862	49,373
– joint ventures		49,000	43,500	49,000	43,500
– others		725	4,246	150	–
Interest received		25,815	41,085	2,481	5,556
Proceeds from sale of:					
– property, plant and equipment		35,945	84,471	3,193	1,106
– investment properties		27,862	7,980	–	–
– assets held for sale		1,384	385	–	–
– available-for-sale financial assets		86,768	–	–	–
Purchase of:					
– property, plant and equipment		(544,419)	(409,440)	(113,861)	(6,199)
– available-for-sale financial assets	17	–	(3,688)	–	–
– intangible assets		(46,821)	(83,814)	–	–
– investment properties		(5,772)	(74,328)	–	–
Changes in deposits with maturity more than 90 days		(19,767)	(33,217)	(68,289)	(2,570)
Net cash flow (used in)/generated from investing activities		(432,266)	(284,302)	13,443	81,092
FINANCING ACTIVITIES					
Dividend paid		(121,802)	(115,712)	(121,802)	(115,712)
Dividends paid to non-controlling interests of subsidiaries		(31,203)	(30,002)	–	–
Interest paid		(485,811)	(473,275)	(180,798)	(174,283)
Borrowings:					
– drawdown		900,142	1,272,134	570,000	655,000
– repayment		(1,152,894)	(945,772)	(567,000)	(416,741)
Advances from subsidiaries		–	–	6,505	71,345
Repayment to subsidiaries		–	–	(24,702)	(22,057)
Redemption of redeemable preference shares in a subsidiary		(22,810)	(22,810)	–	–
Purchase of additional shares in subsidiaries from non-controlling interests	39(a)	–	(258,485)	–	–
Movement in designated account and pledged deposit		5,776	(31,252)	–	–
Net cash flow used in financing activities		(908,602)	(605,174)	(317,797)	(2,448)
Net change in cash and cash equivalents		(199,707)	(152,298)	(138,091)	106,391
Foreign exchange differences		(33,168)	15,140	–	–
Cash and cash equivalents at beginning of the financial year		790,894	928,052	220,157	113,766
Cash and cash equivalents at end of the financial year		558,019	790,894	82,066	220,157

The notes on pages 140 to 228 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000 Restated	2017 RM'000	2016 RM'000
Cash and cash equivalents comprise:					
Deposits, bank and cash balances	25	1,005,525	1,224,409	177,915	247,717
Less:					
Deposits with maturity more than 90 days	25	(422,030)	(402,263)	(95,849)	(27,560)
		583,495	822,146	82,066	220,157
Designated account and pledged deposit		(25,476)	(31,252)	–	–
		558,019	790,894	82,066	220,157

Note to the statements of cash flow:

Reconciliation of liabilities arising from financing activities:

Group

	At 1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12.2017 RM'000
Borrowings	9,046,338	(738,563)	517,149*	8,824,924
Redeemable preference shares	70,188	(22,810)	2,645	50,023
Total liabilities arising from financing activities	9,116,526	(761,373)	519,794	8,874,947

Company

	At 1.1.2017 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12.2017 RM'000
Borrowings	3,195,557	(177,798)	181,120	3,198,879
Amounts due to subsidiaries	276,005	(18,197)	(178,900)^	78,908
Total liabilities arising from financing activities	3,471,562	(195,995)	2,220	3,277,787

* Non-cash changes mainly relate to interest charged to profit or loss and interest capitalised.

^ Non-cash changes mainly relate to novation of amounts due to subsidiaries of RM149.7 million and non-cash redemption of RCPS of RM28.9 million.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Unless otherwise stated, the following accounting policies have been applied consistently by the Group and the Company in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented.

(A) BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016, in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and the Company's accounting policies. Although these estimates and judgment are based on Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable for the Group and the Company's financial year beginning on or after 1 January 2017 are as follows:

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 "Disclosures of Interests in Other Entities"

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of the above revised standards and interpretations did not have a significant financial impact on the Group and the Company and did not result in substantial changes in the Group's policies.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") that are applicable to the Group and the Company but not yet effective.

The Group will apply the new standards, amendments and interpretations in the following period:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Clarifications to MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2 "Share-based Payment – Classification and Measurement of Share-based Payment Transactions"
- Amendments to MFRS 128 "Investments in Associates and Joint Ventures" (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140 "Investment Property – Transfers of Investment Property"

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(A) BASIS OF PREPARATION (CONTINUED)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below:

- MFRS 9 "Financial Instruments" ('MFRS 9')

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

Based on the assessment undertaken to date, the Group does not expect the classification and measurement of its financial instruments under MFRS 9 to differ from the current accounting treatment. The Group does not expect its customer to default on any of their payments given their financial health and past trend of no default, and therefore expects the expected credit loss to be immaterial.

- MFRS 15 "Revenue from Contracts with Customers" ('MFRS 15')

MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(A) BASIS OF PREPARATION (CONTINUED)

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below: (continued)

- MFRS 15 "Revenue from Contracts with Customers" ('MFRS 15') (continued)

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- MFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position which will result in some reclassifications as of 1 January 2018. These items are currently presented as "amount due from/to contract customers" in the trade receivables and trade payables within the statement of financial position.
- MFRS 15 requires the identification of performance obligations and to allocate the transaction price to the performance obligation. There will be a few performance obligations for port activities which are recognised primarily at point in time when services delivered.
- MFRS 16 "Leases" ('MFRS 16')

MFRS 16 "Leases" (effective 1 January 2019) supersedes MFRS 117 "Leases" ('MFRS 117') and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(A) BASIS OF PREPARATION (CONTINUED)

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company except as mentioned below: (continued)

- IC Interpretation 23 "Uncertainty over Income Tax Treatments"

IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively.

The Group and the Company are in the process of assessing the impact of MFRS 16 and IC Interpretation 23 to the financial statements of the Group and of the Company in the year of initial application.

(B) CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The Group applies the acquisition method to account for business combinations under common control.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the successive acquisition dates at each stage, and the changes in fair value is taken through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in the profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(B) CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(ii) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Negative goodwill is included as income in the determination of the investor's share in joint arrangements' profit or loss in the period in which the investment is acquired.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In relation to the Group's interest in the joint operations, the Group recognises the assets (including the share of any assets held jointly), liabilities (including the share of any liabilities held jointly), revenue from the sale of the share of the output arising from the joint operation (including share of the revenue from the sale of the output by the joint operation) and expenses (including the share of any expenses incurred jointly).

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Negative goodwill is included as income in the determination of the investor's share in associate's profit or loss in the period in which the investment is acquired. In relation to subsidiaries disposed with a retained interest as an associate, the remeasured fair value is the initial carrying amount for the purpose of subsequent accounting.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(B) CONSOLIDATION (CONTINUED)

(iii) Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit or loss of an associate' in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

(C) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Refer to Note (E) for accounting policy on depreciation.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

At end of each reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note (G) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing net proceeds with carrying amount and are included in profit or loss from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on derecognition is recognised in the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(D) LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

Group as lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on the straight-line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in the profit or loss when incurred.

(E) DEPRECIATION

Depreciation is provided at rates, which are considered adequate to write-off the cost/revalued amount of property, plant and equipment less estimated residual value over their estimated useful lives. No depreciation is provided on freehold land. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The straight-line method is used to write-off the cost less estimated residual value of the other assets over the term of their estimated useful lives are summarised as follows:

Freehold properties	50 years
Leasehold properties	20 – 101 years
Building and port structures	20 – 50 years
Plant and machinery	3 – 30 years

Mining lease properties (freehold) are not depreciated.

Residual values, useful lives and depreciation method of assets are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

(F) INVESTMENT PROPERTIES

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on the straight-line basis over its estimated useful life as follows:

Building	50 years
Leasehold land	99 years

No depreciation is provided for freehold land.

Capital work-in-progress ("CWIP") relates to assets under construction which are not amortised as these assets are not available for use.

Investment properties are derecognised when it is permanently withdrawn from use and no further economic benefit is expected from its disposal or when they have been disposed. Any gain or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period in which they arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(G) IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and other non-current assets (except for amounts due from subsidiaries, associates and deferred tax assets) are reviewed for impairment losses whenever events or changes in circumstances (for depreciable non-current assets) indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value-in-use ("VIU").

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell or its VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(H) INVESTMENTS

Investments in subsidiaries, joint arrangements and associates are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note (G) on impairment of non-financial assets.

Amount due from subsidiary which repayment is not expected within the next 12 months is stated at cost less accumulated impairment losses if it is the intention of the Company to treat the amount as a long term source of capital to the subsidiary.

On disposal of an investment, the difference between net disposals proceed and its carrying amount is charged/credited to the profit or loss.

(I) INTANGIBLES

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's shares of their net identifiable assets at the date of acquisition. Goodwill on acquisition of subsidiaries is stated at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

(ii) Rights on Water Treatment Business

The Rights on Water Treatment Business are based on the fair value of the remaining useful lives of the concession agreement entered by a subsidiary for the privatisation of the operations, maintenance and rehabilitation of water treatment plants in Johor Darul Takzim, less accumulated amortisation and any accumulated impairment losses. The rights are amortised on the straight-line basis over the remaining useful lives of the concession period at the end of each reporting period until the end of concession on 31 May 2014.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(I) INTANGIBLES (CONTINUED)

(iii) Rights on Airport Business

The Rights on Airport Business represent the right of a subsidiary to provide airport services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the airport as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised on the straight-line basis over the remaining useful lives of the concession period at the end of each reporting period until the end of concession on 30 October 2053.

(iv) Rights on Port Business

The Rights on Port Business represent the right of a subsidiary to provide port operation services and to charge users of the services. It encapsulated concession agreement, license and other agreements relating to the usage of the port related infrastructure as these assets contribute to earnings only in concert with other assets and/or economic factors of the business. The rights are amortised on the straight-line basis over the useful lives of the concession period of 30 years.

(v) Rights on Concession Assets

The rights on concession assets represents the rights to operate the Northport terminal in Port Klang and are recognised as intangible assets. Concession assets are initially measured at the fair value of the construction revenue.

Subsequent costs and expenditures related to concession assets arising from the commitments to the lease concession or that increase future revenue are recognised as additions to the intangible assets and are stated at fair value of the construction revenue. Such cost includes the borrowing costs for long-term construction projects if the recognition criteria are met. Capital expenditures necessary to support the operation as a whole are recognised as property, plant and equipment, and accounted for in accordance with the policy stated under property, plant and equipment in Note (C).

The intangible assets are amortised over period of 30 years based on the Interim Privatisation Agreement ("IPA") which was signed between the Government of Malaysia, Port Klang Authority and Northport (Malaysia) Bhd. ("NMB") on 28 March 2014. The IPA enable NMB to continue to manage the port activities until the New Privatisation Agreement ("NPA") is approved. Subsequent to the reporting date, on 6 March 2018, the NPA had been approved effective from 1 December 2013 to 30 November 2043.

(J) CONSTRUCTION, ENGINEERING AND FABRICATION CONTRACTS

When the outcome of a construction or engineering and fabrication contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method.

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date as a percentage to the estimated total costs for the contract.

When the outcome of such contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable; contract costs are recognised when incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract are compared against the progress billings up to the period end. Where cost incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as amounts due from contract customers under trade and other receivables (within current assets). Where progress billings exceed cost incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to contract customers under trade and other payables (within current liabilities).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(K) INVENTORIES

Inventories are stated at the lower of cost and net realisable value with cost being determined either on the first-in, first-out or weighted average cost basis depending on the type of inventories. Cost includes expenditure incurred in bringing the inventories to their present form and location. For work-in-progress and manufactured inventories, cost consists of materials, direct labour, other direct cost and an appropriate proportion of fixed and variable production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, balances and deposits held at call with banks and other short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(M) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in the profit or loss.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(N) GOVERNMENT GRANTS

Government grants are recognised initially at their fair value in the statement of financial position as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(O) TAXATION

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax liabilities and/or assets are recognised, using the liability method, for all temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Investment tax allowances are treated as tax credit at inception.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(O) TAXATION (CONTINUED)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax liability in respect of asset revaluations is also recognised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is not recognised if the temporary differences arise from goodwill or excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Tax rate enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

(P) LAND LEASE RECEIVED IN ADVANCE

Land lease received in advance relates to deferred income from sub-leased land and is recognised as an income in the profit or loss equally over the period of the lease ranging from 17 to 60 years.

(Q) EMPLOYEE BENEFITS

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to statutory pension fund is charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed at regular interval by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in the profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(R) REVENUE RECOGNITION

(i) Sales of goods and services

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of goods and service tax ("GST") and discount and after eliminating sales within the Group.

(ii) Operation and maintenance charges, project management and engineering consultancy fees

Revenue is measured at the fair value of the consideration receivable and is recognised in the profit or loss as it accrues.

(iii) Construction contracts

(a) Fixed price contracts

Revenue from fixed price contracts where a fixed contract price is agreed upon is recognised under the percentage of completion method.

(b) Cost plus contracts

Cost plus contracts where reimbursements are made on costs incurred for works carried out on an agreed contract rate, are recognised as revenue attributed to the proportion of work done progressively over the duration of the contracts.

(iv) Port operations, repairing and cleaning containers

Income from port operations, repair, preparation and trade of containers and containerisation system are recognised upon performance of services.

(v) Water treatment activity

Revenue from water treatment activities is measured at the fair value of the consideration recoverable in accordance with the Operational Maintenance Contract between Aliran Utara Sdn. Bhd. and Lembaga Air Perak ("LAP") and it is recognised in the profit or loss when sale of treated water has been received by the buyer and it is probable that the economic benefits associated with the transaction will flow to the companies in the Group.

(vi) Airport activity

Income from airport operations and aviation related services in the airport are recognised when services are rendered.

(vii) Income from land reclamation, shore protection, dredging, associated works and construction contract

Income from land reclamation, shore protection, dredging, associated works and construction contracts is recognised on the percentage of completion method, measured by reference to surveys of work performed.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

(viii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(ix) Interest income

Interest income is recognised in the profit or loss as it accrues, taking into account the effective yield on the asset.

(x) Rental income

Rental income is recognised on the accrual basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(S) ACCOUNTING FOR ZAKAT

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a subsidiary has been in operation for at least 12 months, i.e. for the period known as "haul".

Zakat rates enacted or substantively enacted by the end of each reporting period are used to determine the zakat expense. The rate of zakat on business as determined by Zakat Authority under Pusat Pungutan Zakat Majlis Agama Islam Wilayah Persekutuan is 2.5% of the zakat base. The zakat is determined based on the adjusted working capital method of eligible companies within the Group. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

(T) FOREIGN CURRENCIES

(i) Presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Ringgit Malaysia, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

(U) FINANCIAL INSTRUMENTS

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or other financial assets from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'deposits, bank and cash balances' in the statement of financial position (Note 24 and 25 respectively).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Classification (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

(iv) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the period in which changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in the profit or loss. Dividend income on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

(v) Subsequent measurement – Impairment on financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the assets is reduced and the amount of the loss is recognised in the profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(U) FINANCIAL INSTRUMENTS (CONTINUED)

(v) Subsequent measurement – Impairment on financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to the profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss.

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the profit or loss.

(vi) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain and loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in the profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into the profit or loss in the same period or periods during which the hedged forecast cash flows affect the profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into the profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

(V) CONTINGENT LIABILITIES

The Group does not recognise a contingent liability but discloses its existence in the notes to the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

In the acquisition of subsidiaries by the Group under business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisition.

(W) SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the working group consisting of Heads of Departments that makes strategic decisions.

(X) NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed-off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view for resale.

(Y) SHARE CAPITAL

Proceeds from ordinary shares issued are accounted for as equity. Cost directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

Dividends to owners of the Company and non-controlling interests are recognised in the statement of changes in equity in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 CORPORATE INFORMATION

The principal activities of the Company are investment holding, construction, mining and mineral exploration.

Information relating to the subsidiary companies, joint ventures and associated companies are described in Note 38 to the financial statements.

There are no significant changes in the nature of the activities of the Group and the Company during the financial year.

The ultimate holding company is Indra Cita Sdn. Bhd., a company incorporated in Malaysia.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Ground Floor, Wisma Budiman, Persiaran Raja Chulan, 50200, Kuala Lumpur.

The financial statements are expressed in thousands of Ringgit Malaysia unless otherwise stated.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 5 April 2018.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

The Group uses instruments such as foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

(i) Foreign currency exchange risk

The Group uses derivative financial instruments such as forward foreign currency contracts to cover certain foreign currency exposures. It does not trade in financial instruments.

The Group also maintains a natural hedge by maintaining foreign currency denominated cash reserves in licensed bank accounts to fund any potential future cash outflows arising from its business operations in foreign countries and by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated by the investment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk factors (continued)

(i) Foreign currency exchange risk (continued)

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	USD RM'000	EUR RM'000	Others RM'000
2017			
Deposits with licensed banks	553	—	—
Trade and other receivables	156,333	—	—
Trade and other payables	(2,289)	(10)	(1,143)
Net exposure	154,597	(10)	(1,143)
2016			
Deposits with licensed banks	630	—	—
Trade and other receivables	159,480	—	—
Trade and other payables	(2,106)	(93)	(873)
Net exposure	158,004	(93)	(873)

Foreign currency risk arises from Group entities which have functional currencies other than functional currencies of the Group entities. A 10% (2016: 10%) strengthening of the functional currencies against the following currencies would have (increased)/decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	2017 RM'000	2016 RM'000
(Profit) or loss		
USD	15,460	15,800
EUR	(1)	(9)
Others	(114)	(87)
Net exposure	15,345	15,704

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk factors (continued)

(ii) Interest rate risk

The Group's interest rate risk arises from the Group's borrowings and deposits denominated in Ringgit Malaysia, and are managed through the use of fixed and floating rates.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift.

An 0.25% increase/decrease of the weighted average rate of the Group's and the Company's borrowings and deposits, with all other variables held constant, would result in a decrease/increase of RM8 million (2016: RM8 million) and RM1.5 million (2016: RM2 million) respectively to the profit before tax and zakat.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: Bursa Malaysia and ASX.

The table below summarises the impact of increases/decreases of the financial assets on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the share price had increased/decreased by 5% with all other variables held constant.

	Impact on post-tax profit		Impact on other components of equity	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Available-for-sale	–	–	154	4,050
Derivative financial instruments – Warrants	193	276	–	–
Net exposure	193	276	154	4,050

(iv) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by ensuring its customers have sound financial standing, credit history and requirement of collateral where necessary.

Analysis of the Group and the Company's trade and other receivables is reflected in Note 24.

(v) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group matches its consistent cash flows from its concession businesses, which are long term in nature, against its borrowings obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk factors (continued)

(v) Liquidity and cash flow risk (continued)

In addition, the Group also maintains a certain level of deposits to ensure compliance with its borrowings requirements.

The Company meets its obligations with funds to be received in the form of dividends and distributions from its subsidiaries, associates and joint venture companies.

The following table analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	After 5 years RM'000	Total RM'000
Group					
<u>At 31 December 2017</u>					
Trade and other payables (excluding statutory obligations and land lease received in advance)	2,290,016	28,229	6,097	1,887	2,326,229
Redeemable preference shares	16,674	16,674	16,675	–	50,023
Borrowings:					
– fixed rate	532,698	1,455,816	2,600,000	2,438,853	7,027,367
– floating rate	1,147,416	412,800	1,216,663	450,000	3,226,879
	1,680,114	1,868,616	3,816,663	2,888,853	10,254,246
<u>At 31 December 2016</u>					
Trade and other payables (excluding statutory obligations and land lease received in advance)	1,949,761	36,044	11,225	–	1,997,030
Redeemable preference shares	22,810	16,674	32,788	–	72,272
Borrowings:					
– fixed rate	460,568	383,345	3,757,644	2,324,694	6,926,251
– floating rate	1,344,921	822,313	1,539,665	–	3,706,899
	1,805,489	1,205,658	5,297,309	2,324,694	10,633,150
Company					
<u>At 31 December 2017</u>					
Trade and other payables (excluding statutory obligations)	949,014	25,560	–	–	974,574
Amounts due to subsidiaries	78,908	–	–	–	78,908
Borrowings:					
– fixed rate	154,112	1,241,346	577,735	1,413,537	3,386,730
– floating rate	553,450	2,379	52,782	–	608,611
	707,562	1,243,725	630,517	1,413,537	3,995,341
<u>At 31 December 2016</u>					
Trade and other payables (excluding statutory obligations)	713,931	30,351	–	–	744,282
Amounts due to subsidiaries	276,005	–	–	–	276,005
Borrowings:					
– fixed rate	142,959	142,770	1,718,810	1,217,944	3,222,483
– floating rate	708,015	100,392	–	–	808,407
	850,974	243,162	1,718,810	1,217,944	4,030,890

Details of borrowings are shown in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Financial risk factors (continued)

(vi) Hedging activities and liquidity risk

The following are cash flow hedge and the liquidity risk of the derivative assets and liabilities.

Cash flow hedge for asset acquisition

The Group has entered into forward exchange contracts to limit their exposure on foreign currency exchange risk in relation to the payments to the asset suppliers.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2017 relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.

The following table indicates the periods in which the cash inflows/(outflows) associated with the forward exchange contracts are expected to occur and affect profit or loss:

	Within 1 year RM'000	Between 1 to 2 years RM'000	Between 2 to 5 years RM'000	After 5 years RM'000	Total RM'000
<u>2017</u>					
Forward exchange contracts					
– inflows	198,682	–	–	–	198,682
– outflows	(206,986)	–	–	–	(206,986)
<u>2016</u>					
Forward exchange contracts					
– inflows	296,224	80,828	–	–	377,052
– outflows	(281,667)	(76,606)	–	–	(358,273)

(b) Capital risk management

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company would be able to continue as a going concern while maximising returns to shareholders.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Capital risk management (continued)

The gearing ratios at 31 December 2017 and 2016 were as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total borrowings	8,824,924	9,046,338	3,198,879	3,195,557
Less: Deposits, bank and cash balances	(1,005,525)	(1,224,409)	(177,915)	(247,717)
Net debt	7,819,399	7,821,929	3,020,964	2,947,840
Total equity	10,232,708	10,230,518	5,749,391	5,701,995
Total capital	18,052,107	18,052,447	8,770,355	8,649,835
Gearing ratio	43%	43%	34%	34%

Please refer to Note 28 for externally imposed financial covenants and capital structure. The Group and Company have complied with all externally imposed financial covenants.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually being evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:

(a) Goodwill impairment assessment

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of the Port Business and Airport Operations; CGUs respectively, were determined based on the VIU calculations. The calculations require the use of estimates and judgments as set out in Note 20(A) Port Business and Note 20(B)(a) Airport Operation; to the financial statements.

(b) Estimation of the VIU of the CGU for Airport City

The estimation of VIU of CGU is based on a single combined business unit ("Airport City") consisting of Airport Operations and Property Development Land. The Directors are of the view that this will provide a more accurate description of the overall strategy of the sub-group, whereby all of the activities within various companies within the sub-group are elements of the overall strategic master plan to develop Senai Airport City.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows: (continued)

(c) Income tax

Income taxes are estimated based on the rules governed under the Income Tax Act, 1967.

Differences in determining the capital allowances, deductibility of certain expenses and subsequent utilisation of investment tax allowance may arise during the estimation of the provision for income taxes between tax calculated at the statement of financial position date, and the final submission to the tax authorities as a result of obtaining further detailed information that may become available subsequent to the statement of financial position date. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions and deferred tax balance in the period in which such determination is made.

(d) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

(e) Recovery of claim receivable of a subsidiary, MMC International Holdings Ltd.

In determining whether the claim receivable (included in other receivables of the Group) in respect of a discontinued involvement in a project in Middle East is recoverable, the debtor's ability to pay the amount claimed by the Group had been assessed. Based on the latest development, the Group makes a judgement that there is no indication of further impairment on the amount claimed.

(f) Investment in associate impairment assessment

The Group holds investment in Malakoff Corporation Berhad ("Malakoff"), a public listed company on the Main Market of Bursa Malaysia, which is regarded as an associate to the Group. In assessing whether the diminution of market value in Malakoff represents an impairment to the carrying value of the investment in associate, the recoverable amount based on the discounted cash flows of Malakoff's power plants had been determined. The calculation of the discounted cash flows requires estimates and judgements on the key assumptions such as variable operating rates, capacity factor and discount rate. For further details, please refer to Note 15.

4 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Port operations	2,706,334	2,612,196	—	—
Contract revenue	1,265,437	1,511,926	656,096	1,010,894
Airport operations	58,111	58,814	—	—
Water treatment services	18,615	16,465	—	—
Property lease	110,873	123,421	—	—
Sale of property	—	300,320	—	—
Dividends (Note 7(ii))	725	4,246	369,970	324,967
	4,160,095	4,627,388	1,026,066	1,335,861

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 ANALYSIS OF EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Cost of sales</u>				
Cost of port operations	1,562,226	1,451,424	–	–
Contract cost recognised as an expense	1,034,486	1,234,891	480,244	797,923
Cost of airport operations	10,070	9,271	–	–
Cost of water treatment services	11,963	8,053	–	–
Cost of property sale	–	158,349	–	–
	2,618,745	2,861,988	480,244	797,923
<u>Administrative and other operating expenses</u>				
Consultants and professional fees	13,693	14,497	1,954	2,277
Depreciation, amortisation and impairment	470,421	450,235	1,700	3,081
Contributions and Corporate Social Responsibility activities	98,145	126,641	58,216	87,657
Office administration expenses	15,298	15,775	1,206	1,171
Repair and maintenance	9,421	11,126	380	730
Rental expenses	34,331	39,334	2,651	2,540
Staff related costs	246,545	244,299	60,006	58,720
Utilities	22,723	25,762	164	177
Insurance, cess fund and licenses	11,030	9,503	510	255
Impairment of receivables	15,414	14,877	568	–
Impairment of investment in an associate	–	–	4,974	30,947
Travelling expenses	31,613	37,682	1,141	1,150
Reversal of provision for litigation costs	–	(21,886)	–	(21,886)
Others	120,774	78,308	25,550	8,827
	1,089,408	1,046,153	159,020	175,646

6 FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Term loans	227,167	327,145	73,193	142,172
Islamic medium term notes	193,362	117,094	81,325	9,362
Others	70,676	43,839	26,602	23,521
	491,205	488,078	181,120	175,055

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7 PROFIT BEFORE ZAKAT AND TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i) Profit before zakat and taxation is arrived at:				
<u>After charging:</u>				
Auditors' remuneration:				
– statutory audit (PwC)	1,503	790	475	387
– audit related services (PwC)	374	355	328	309
– non-audit services (PwC)	870	215	150	215
Other auditors' remuneration:				
– statutory audit (non-PwC)	200	1,003	110	118
– non-audit services (non-PwC)	30	106	–	–
Directors' fees (Note 7(ii))	1,931	1,951	1,175	1,200
Impairment of:				
– trade and other receivables (Note 24)	15,414	14,877	568	–
– amounts due from subsidiaries	–	–	929	–
– investment in an associate (Note 15)	–	–	4,974	30,947
– property, plant and equipment	103	–	–	–
– intangible assets (Note 20)	739	–	–	–
Hire of plant and machinery	174,282	162,969	–	–
Rent of leasehold land and buildings	136,999	132,600	2,651	2,540
Write-off of property, plant and equipment	8,682	6,937	–	3
Fair value loss on derivative assets	1,658	13,349	1,658	10,500
Loss on disposal of:				
– property, plant and equipment	11,592	–	9	–
– investment properties	–	2,731	–	–
Accretion of interest on borrowings	31,338	32,987	322	772
Staff costs (including Executive Directors' remuneration (Note 7(iii)):				
– wages, salaries and bonuses	592,438	580,688	51,572	45,126
– defined contribution plan	60,686	60,081	7,441	6,380
– other employee benefits	58,707	47,156	2,356	2,851
<u>After crediting:</u>				
Amortisation of:				
– land lease received in advance (Note 29)	14,137	17,148	–	–
– deferred income (Note 31)	29,282	39,657	–	–
Rental income	977	970	516	592
Write-back of:				
– impairment of receivables (Note 24)	4,283	6,606	–	–
– allowance for slow moving stocks	1,828	2,802	–	–
– amount due from subsidiaries	–	–	–	74
Interest income	25,815	41,085	2,481	5,556
Gross dividend income:				
– subsidiaries: unquoted in Malaysia	–	–	266,958	232,094
– associates: quoted in Malaysia	–	–	53,862	49,373
– joint ventures: unquoted in Malaysia	–	–	49,000	43,500
– other investments: quoted in Malaysia	575	4,246	–	–
– other investments: unquoted in Malaysia	150	–	150	–
Gain on disposal of:				
– property, plant and equipment	–	62,729	–	117
– assets held for sale	784	217	–	–
– available-for-sale financial assets	65,718	–	–	–
– investment properties	16,551	–	–	–
Deposits forfeited	26,953	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7 PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

(ii) Directors' remuneration:

The aggregate amount of emoluments received by Directors of the Company during the financial year is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Executive Directors:				
– fees	1,931	1,951	1,175	1,200
– other emoluments	648	656	622	631
– estimated monetary value of benefits-in-kind	49	51	49	51
Executive Director:				
– salaries and other emoluments	4,771	4,364	4,622	4,214
– defined contribution plan	553	505	553	505
– estimated monetary value of benefits-in-kind	173	173	167	169
	8,125	7,700	7,188	6,770

8 ZAKAT EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Movement in zakat liability:				
– current financial year's expense	5,913	6,871	1,783	2,581
– paid during the financial year	(5,913)	(6,871)	(1,783)	(2,581)
At the end of the financial year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9 TAX EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian income tax				
Current tax:				
– in respect of profit for the financial year	71,679	94,918	9,707	63,106
– under accrual in prior financial years (net)	44,629	17,754	39,917	10,225
	116,308	112,672	49,624	73,331
Deferred tax (Note 21):				
– origination and reversal of temporary differences	62,062	(47,730)	27,418	(27,418)
	178,370	64,942	77,042	45,913
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation and after zakat	445,826	665,871	246,240	222,774
Tax calculated at the applicable Malaysian tax rate of 24% (2016: 24%)	106,998	159,809	59,098	53,466
Tax effects of:				
– expenses not deductible for tax purposes	134,788	146,563	76,784	63,247
– income not subject to tax	(35,652)	(127,094)	(98,757)	(81,025)
– change in tax rate	–	(59)	–	–
– utilisation of previously unrecognised temporary differences and tax losses	–	(15,386)	–	–
– recognition of investment tax allowance	(19,921)	(60,681)	–	–
– deferred tax expense not recognised during the financial year	3,209	3,819	–	–
– share of results of associates and joint ventures (net)	(55,681)	(59,783)	–	–
– under accrual in prior financial years (net)	44,629	17,754	39,917	10,225
Income tax expense	178,370	64,942	77,042	45,913

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017 RM'000	2016 RM'000
Profit attributable to ordinary equity holders of the Company	225,408	549,662
Weighted average number of ordinary shares in issue ('000)	3,045,058	3,045,058
Basic earnings per share (sen)	7.4	18.1

No diluted earnings per ordinary share is computed for the Group as there are no potential ordinary shares in issue.

11 DIVIDENDS

	Group and Company	
	2017 RM'000	2016 RM'000
Dividend paid:		
In respect of financial year ended 31 December 2015:		
A final single-tier dividend of 3.8 sen per ordinary share on 3,045,058,552 ordinary shares paid on 5 July 2016	–	115,712
In respect of financial year ended 31 December 2016:		
A final single-tier dividend of 4.0 sen per ordinary share on 3,045,058,552 ordinary shares paid on 5 July 2017	121,802	–

At the forthcoming Annual General Meeting, a final single-tier dividend of 4.0 sen per ordinary share in respect of the financial year ended 31 December 2017 on 3,045,058,552 ordinary shares, amounting to RM121,802,342 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties RM'000	Leasehold properties RM'000	Building and port structures RM'000	Mining leases properties RM'000	Plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2016 (as previously stated)	671,505	837,069	4,688,798	347	4,171,682	668,903	11,038,304
Prior year reclassification	(539,227)	(253,768)	–	–	–	(430,458)	(1,223,453)
At 1 January 2016 (as restated)	132,278	583,301	4,688,798	347	4,171,682	238,445	9,814,851
Disposals	(4,078)	(8,629)	(3,715)	–	(53,033)	–	(69,455)
Additions	–	36,508	4,511	–	113,850	261,871	416,740
Reclassifications	–	–	57,877	–	211,738	(269,615)	–
Reclassification to assets held for sale (Note 23)	(1,159)	(149,889)	(19,727)	(303)	(58)	–	(171,136)
Write-off	–	–	–	–	(27,081)	(2,809)	(29,890)
#Adjustments	–	–	252	–	(4,926)	–	(4,674)
At 31 December 2016 (as restated)	127,041	461,291	4,727,996	44	4,412,172	227,892	9,956,436
As previously stated	516,400	877,665	4,821,657	44	4,412,172	622,234	11,250,172
Prior year reclassification	(389,359)	(416,374)	(93,661)	–	–	(394,342)	(1,293,736)
Disposals	–	–	(24,050)	–	(280,778)	–	(304,828)
Additions	–	–	14,320	–	137,284	404,189	555,793
Reclassifications	–	–	15,249	–	181,800	(197,049)	–
Write-off	–	–	–	–	(161,403)	–	(161,403)
#Adjustments	–	–	(4,152)	–	–	–	(4,152)
At 31 December 2017	127,041	461,291	4,729,363	44	4,289,075	435,032	10,041,846

Note:

Adjustments due to variation order in final contract value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold properties RM'000	Leasehold properties RM'000	Building and port structures RM'000	Mining leases properties RM'000	Plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
<u>Accumulated depreciation</u>							
At 1 January 2016 (as previously stated)	(7,248)	(96,074)	(914,083)	–	(1,648,854)	–	(2,666,259)
Prior year reclassification	218	59,782	–	–	–	–	60,000
At 1 January 2016 (as restated)	(7,030)	(36,292)	(914,083)	–	(1,648,854)	–	(2,606,259)
Depreciation	(736)	(13,099)	(113,063)	–	(289,978)	–	(416,876)
Disposals	–	1,616	–	–	46,097	–	47,713
Write-off	–	–	–	–	22,953	–	22,953
Adjustment	–	–	–	–	2,955	–	2,955
Reclassification to assets held for sale (Note 23)	418	11,037	10,754	–	51	–	22,260
At 31 December 2016 (as restated)	(7,348)	(36,738)	(1,016,392)	–	(1,866,776)	–	(2,927,254)
As previously stated	951	(110,369)	(1,016,392)	–	(1,866,776)	–	(2,992,586)
Prior year reclassification	(8,299)	73,631	–	–	–	–	65,332
Depreciation	(521)	(11,203)	(88,471)	–	(316,653)	–	(416,848)
Disposals	–	–	8,173	–	249,118	–	257,291
Write-off	–	–	–	–	152,721	–	152,721
Adjustment	–	–	(772)	–	39	–	(733)
At 31 December 2017	(7,869)	(47,941)	(1,097,462)	–	(1,781,551)	–	(2,934,823)
<u>Accumulated impairment losses</u>							
At 1 January 2016/ 31 December 2016	(11,257)	–	(1,348)	–	(5,526)	–	(18,131)
Impairment loss	–	–	–	–	–	(103)	(103)
31 December 2017	(11,257)	–	(1,348)	–	(5,526)	(103)	(18,234)
<u>Net book value</u>							
At 1 January 2016 (as restated)	113,991	547,009	3,773,367	347	2,517,302	238,445	7,190,461
At 31 December 2016 (as restated)	108,436	424,553	3,710,256	44	2,539,870	227,892	7,011,051
At 31 December 2017	107,915	413,350	3,630,553	44	2,501,998	434,929	7,088,789

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold properties RM'000	Leasehold properties RM'000	Mining leases properties RM'000	Plant, machinery and equipment RM'000	Capital work in progress RM'000	Total RM'000
<u>Cost</u>						
At 1 January 2016	826	5,620	347	56,592	–	63,385
Additions	–	–	–	6,199	–	6,199
Disposals	–	–	–	(2,689)	–	(2,689)
Reclassification to assets held for sale (Note 23)	–	–	(303)	–	–	(303)
Write-off	–	–	–	(7)	–	(7)
At 31 December 2016	826	5,620	44	60,095	–	66,585
Additions	–	–	–	2,868	110,993	113,861
Disposals	–	–	–	(7,061)	–	(7,061)
At 31 December 2017	826	5,620	44	55,902	110,993	173,385
<u>Accumulated depreciation</u>						
At 1 January 2016	–	(1,463)	–	(46,136)	–	(47,599)
Depreciation	–	(57)	–	(5,863)	–	(5,920)
Disposals	–	–	–	1,700	–	1,700
Write-off	–	–	–	4	–	4
At 31 December 2016	–	(1,520)	–	(50,295)	–	(51,815)
Depreciation	–	(57)	–	(3,673)	–	(3,730)
Disposals	–	–	–	3,859	–	3,859
At 31 December 2017	–	(1,577)	–	(50,109)	–	(51,686)
<u>Accumulated impairment losses</u>						
At 31 December 2016/31 December 2017	–	–	–	(413)	–	(413)
<u>Net book value</u>						
At 31 December 2016	826	4,100	44	9,387	–	14,357
At 31 December 2017	826	4,043	44	5,380	110,993	121,286
						Group
						2017 RM'000
						2016 RM'000
Net book value of property, plant and equipment pledged as security for borrowings				4,118,931	5,098,579	

Included in the property, plant and equipment of the Group is interest capitalised during the financial year at a rate ranging from 3.8% to 6.2% per annum (2016: 3.8% to 6.2%) amounting to RM11.4 million (2016: RM7.3 million).

Reclassification of RM284.1 million and RM142.7 million have been made between the net book values of the Group's freehold properties and leasehold properties as at 1 January 2016 and 31 December 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13 INVESTMENT PROPERTIES

	Leasehold land and related improvement RM'000	Freehold properties RM'000	Capital work in progress RM'000	Total RM'000
<u>Group</u>				
<u>Cost</u>				
At 1 January 2016 (as previously stated)	–	37,367	–	37,367
Prior year reclassification	538,067	254,928	430,458	1,223,453
At 1 January 2016 (as restated)	538,067	292,295	430,458	1,260,820
Additions	13,557	21	67,514	81,092
Reclassification	93,661	–	(93,661)	–
Disposal	(840)	–	(9,969)	(10,809)
At 31 December 2016 (as restated)	644,445	292,316	394,342	1,331,103
Additions	–	–	16,944	16,944
Reclassification	314,953	–	(314,953)	–
Disposals	(12,725)	–	–	(12,725)
Transfer from assets held for sale (Note 23)	–	188	–	188
#Adjustments	–	–	(11,875)	(11,875)
At 31 December 2017	946,673	292,504	84,458	1,323,635
<u>Accumulated depreciation</u>				
At 1 January 2016 (as previously stated)	–	(5,864)	–	(5,864)
Prior year reclassification	(60,000)	–	–	(60,000)
At 1 January 2016 (as restated)	(60,000)	(5,864)	–	(65,864)
Depreciation	(5,430)	(751)	–	(6,181)
Disposals	98	–	–	98
At 31 December 2016 (as restated)	(65,332)	(6,615)	–	(71,947)
Depreciation	(15,292)	(632)	–	(15,924)
Disposals	1,414	–	–	1,414
Transfer from assets held for sale (Note 23)	–	(14)	–	(14)
At 31 December 2017	(79,210)	(7,261)	–	(86,471)
<u>Accumulated impairment losses</u>				
At 1 January 2016/31 December 2016/31 December 2017	–	(888)	–	(888)
<u>Net book value</u>				
At 1 January 2016 (as restated)	478,067	285,543	430,458	1,194,068
At 31 December 2016 (as restated)	579,113	284,813	394,342	1,258,268
At 31 December 2017	867,463	284,355	84,458	1,236,276

Note:

#Adjustments for interest capitalisation

NOTES TO THE FINANCIAL STATEMENTS

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13 INVESTMENT PROPERTIES (CONTINUED)

	Leasehold land and related improvement RM'000	Freehold properties RM'000	Capital work in progress RM'000	Total RM'000
<u>Fair value</u>				
At 31 December 2016	2,026,867	470,092	394,342	2,891,301
At 31 December 2017	2,575,000	468,129	84,458	3,595,716

The fair value as at 31 December 2017 and 31 December 2016 were conducted by qualified professional valuers who have recent experience in location and category of the property being valued, based on the market comparable approach that reflects the recent transactions prices for the similar properties and are within level 2 of the fair value hierarchy as described in Note 40.

	Group	
	2017 RM'000	2016 RM'000
Net book value of investment properties pledged as security for borrowings	951,921	973,455

Rental income generated from and direct operating expenses incurred on investment properties are as follows:

	Group	
	2017 RM'000	2016 RM'000 Restated
Rental income	4,303	4,324
Direct operating expenses	650	799

Included in the investment properties of the Group is interest capitalised during the financial year at a rate ranging from 5.29% to 5.38% per annum (2016 : 5.29% to 5.38%) amounting to RM11.2 million (2016: RM6.8 million).

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Investments in subsidiaries at cost:		
Unquoted shares	6,207,028	6,207,028
Redeemable convertible preference shares (Note 14(b))	1,176,074	–
Less: redemption of redeemable convertible preference shares	(28,921)	–
Less: accumulated impairment losses	(11,245)	(11,245)
Total	7,342,936	6,195,783

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the Group's subsidiaries are shown in Note 38.

(a) The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Pelabuan Tanjung Pelepas Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
<u>2017</u>			
NCI percentage of ownership interest and voting interest	30%		
Carrying amount of NCI	687,744	30,053	717,797
Profit allocated to NCI	40,800	1,248	42,048
Dividends paid to NCI of the Group	31,203	–	31,203

	Pelabuan Tanjung Pelepas Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
<u>2016</u>			
NCI percentage of ownership interest and voting interest	30%		
Carrying amount of NCI	678,150	19,802	697,952
Profit allocated to NCI	50,436	831	51,267
Dividends paid to NCI of the Group	30,002	–	30,002

The summarised financial statements before intra-group elimination of the Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Pelabuan Tanjung Pelepas Sdn. Bhd.	
	2017 RM'000	2016 RM'000
NCI percentage of ownership interest and voting interest	30.0%	30.0%
<u>As at 31 December</u>		
Non-current assets	4,807,481	4,833,929
Current assets	565,715	671,559
Non-current liabilities	(2,544,390)	(2,749,295)
Current liabilities	(558,373)	(485,924)
Net assets	2,270,433	2,270,269

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (a) The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

The summarised financial statements before intra-group elimination of the Group's subsidiaries that have material non-controlling interests ("NCI") are as follows: (continued)

	Pelabuhan Tanjung Pelepas Sdn. Bhd.	
	2017 RM'000	2016 RM'000
<u>Year ended 31 December</u>		
Revenue	1,213,573	1,161,282
Profit for the financial year	137,310	165,841
Total comprehensive income	104,170	189,528
Cash flows generated from operating activities	492,301	489,370
Cash flows used in investing activities	(277,070)	(266,236)
Cash flows used in financing activities	(303,951)	(316,003)
Net change in cash and cash equivalents	(88,720)	(92,869)

- (b) Redeemable convertible preference shares ("RCPS")

During the financial year, the Company subscribed to RCPS issued by its subsidiaries by capitalisation of the amounts due from subsidiaries to strengthen the issuers' capital base.

The main features of the RCPS are as follows:

- (i) The issuer shall be at liberty to redeem the RCPS at the RCPS Issue Price at any time during the tenure of the RCPS by giving the holders of the RCPS notice of not less than 7 business days or less as may be agreed in writing by the RCPS holders.
- (ii) The issuer shall have the discretion to decide whether to declare any dividends to the holders of RCPS at a rate to be determined by the Board of Directors from time to time. Such right to dividend shall be non-cumulative.
- (iii) The tenure of the RCPS shall be twenty (20) years commencing from and including the RCPS issue date. The RCPS will be convertible into one (1) ordinary shares of RM1.00 in the issuer company ("Ordinary Shares") per one (1) unit of RCPS at anytime during the tenure of the RCPS. Any RCPS that are still not converted or redeemed at the end of the tenure will be automatically converted into new shares.
- (iv) Prior to the conversion of the RCPS, the RCPS holder will not have the right to vote at any general meeting of the issuer unless the meeting is convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the principal undertakings or business(es) of the issuer or where the proposition to be submitted to the meeting directly affects the rights of the holders of the RCPS.
- (v) The RCPS shall rank in priority to the ordinary shares of the issuer and shall be entitled to receive in priority to any distribution or payment to be made in favour of the holder of ordinary shares in the issuer, repayment in full of the Issue Amount of the RCPS in the event of the winding-up/liquidation of the issuer.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 INTERESTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	120,298	296,617	–	–
Shares quoted in Malaysia, at cost	4,407,552	4,407,552	1,036,804	1,036,804
Share of post-acquisition loss	(11,734)	(62,354)	–	–
	4,516,116	4,641,815	1,036,804	1,036,804
Accumulated impairment losses	–	(83,155)	(119,695)	(114,721)
Interests in associates	4,516,116	4,558,660	917,109	922,083
Market value of quoted associates:				
Shares quoted in Malaysia	3,024,119	3,595,103	914,558	1,269,633

Details of the Group's associates and the accounting periods used for applying the equity method of accounting for the associates' results are shown in Note 38.

The Group has discontinued the recognition of its share of losses of its inactive associates as the share of losses of these associates has exceeded the Group's interest in those associates. The unrecognised share of losses of these associates for the current financial year and cumulatively is immaterial to the Group. During the financial year, the Group has written off the investments in these inactive associates.

All the associates are strategic to the Group's activities.

The impairment losses are analysed as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	83,155	83,155	114,721	83,774
Charge during financial year (Note 7(i))	–	–	4,974	30,947
Write-off	(83,155)	–	–	–
At 31 December	–	83,155	119,695	114,721

During the current financial year, the Company made an impairment charge of approximately RM5.0 million (2016: RM30.9 million) due to diminution in the market value of an associate, Zelan Berhad.

The recoverable amount is determined based on the fair value less cost to sell of the investment.

The diminution in market value of Malakoff Corporation Berhad ("Malakoff"), an associate quoted in Malaysia, does not represent an impairment to the carrying amount as stated above. In assessing whether the diminution of market value in Malakoff represents an impairment to the carrying value of the investment in associate, management had determined the recoverable amount based on the discounted cash flows of Malakoff's power plants. The calculation of the discounted cash flows requires estimates and judgements on the key assumptions.

The key assumptions used for the discounted cash flows are as follows:

- Variable operating rate of power plants : RM0.0171/kwh to RM0.0243/kwh;
- Capacity factor of power plants : 33% to 77%;
- Discount rate used is 9.5%; and
- Optional extension is expected to be obtained for the coal fired power plants (10 years extension).

Based on the assessment, the recoverable amount is higher than carrying value as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 INTERESTS IN ASSOCIATES (CONTINUED)

The circumstances where a reasonably possible change in the key assumptions will cause an impairment loss to be recognised include the following:

- (a) Discount rate is higher than 9.5%; and
- (b) Extension of Power Purchase Agreement ("PPA") for its coal plants is only up to 5 years.

Had the pre-tax discount rate been higher by 0.5%, the impairment charge would be approximately RM88 million.

If the extension of PPA for its coal plants is only up to 5 years, the impairment charged would be approximately RM73 million.

The following table summarises the financial information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

	2017			
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Zelan Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000
<u>Summarised financial information</u>				
Effective percentage of ownership interest	37.6%	30.9%	39.2%	20.0%
<u>As at 31 December</u>				
Non-current assets	24,344,650	3,131,926	701,243	1,939,993
Current assets	8,114,241	1,060,041	108,030	215,957
Non-current liabilities	(3,380,545)	(923,854)	(362,209)	(260,518)
Current liabilities	(19,620,791)	(364,466)	(371,508)	(1,023,036)
Net assets	9,457,555	2,903,647	75,556	872,396
Non-controlling interests (NCI)	(225,570)	–	188	–
Perpetual sukuk	(800,000)	–	–	–
Net assets (excluding NCI)	8,431,985	2,903,647	75,744	872,396
<u>Year ended 31 December</u>				
Profit/(loss) for the financial year	376,938	194,151	(67,556)	26,612
Non-controlling interests	(66,987)	487	37	–
Profit/(loss) for the financial year (excluding NCI)	309,951	194,638	(67,519)	26,612
Other comprehensive (loss)/income	(9,137)	816	11,273	–
Total comprehensive income/(loss) (excluding NCI)	300,814	195,454	(56,246)	26,612
Revenue	7,130,440	5,348,821	71,070	369,881
Depreciation and amortisation	(1,313,000)	(61,364)	(557)	(123,683)
Interest income	213,290	10,123	35,842	–
Interest expense	(1,032,551)	(5,622)	(20,494)	(35,620)
Income tax expense	(211,588)	(50,530)	(2,718)	(10,639)
Fair value based on hierarchy level 1	1,841,456	1,147,847	34,816	

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies (if any) applied between the Group and the associates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 INTERESTS IN ASSOCIATES (CONTINUED)

The following table summarises the financial information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates: (continued)

	2017					
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Zelan Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
<u>Reconciliation of net assets to carrying amount:</u>						
Effective percentage of ownership interest	37.6%	30.9%	39.2%	20.0%		
<u>As at 31 December</u>						
Group's share of net assets/(liabilities) (excluding NCI)	3,170,426	897,227	29,726	174,479	(228)	4,271,630
#Adjustments	245,621	(3,895)	(10,301)	13,060	1	244,486
Investments in associates	3,416,047	893,332	19,425	187,539	(227)	4,516,116
<u>Group's share of result</u>						
<u>Year ended 31 December</u>						
Group's share of net profit/(loss) for the financial year (excluding NCI)	116,542	60,143	(26,506)	5,322	424	155,925
Adjustments	(10,793)	(4,361)	493	(1,617)	–	(16,278)
Group's share of other comprehensive (loss)/income	(3,436)	252	4,427	–	–	1,243
Group's share of total comprehensive income/(loss)	102,313	56,034	(21,586)	3,705	424	140,890
<u>Other information</u>						
Gross dividends received by the Group	112,742	51,077	–	–	–	163,819

Note:

#Adjustments primarily relate to goodwill

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 INTERESTS IN ASSOCIATES (CONTINUED)

The following table summarises the financial information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates: (continued)

	2016			
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Zelan Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000
<u>Summarised financial information</u>				
Effective percentage of ownership interest	37.6%	30.9%	39.2%	20.0%
<u>As at 31 December</u>				
Non-current assets	25,508,405	3,018,860	707,240	2,105,227
Current assets	7,296,025	1,056,308	172,491	244,934
Non-current liabilities	(20,967,643)	(241,276)	(438,463)	(1,116,648)
Current liabilities	(3,164,598)	(959,948)	(310,057)	(220,972)
Net assets	8,672,189	2,873,944	131,211	1,012,541
Non-controlling interests (NCI)	(215,583)	(478)	163	–
Net assets (excluding NCI)	8,456,606	2,873,466	131,374	1,012,541
<u>Year ended 31 December</u>				
Profit/(loss) for the financial year	406,042	164,420	(68,232)	85,659
Non-controlling interests	(50,579)	717	(24)	–
Profit/(loss) for the financial year (excluding NCI)	355,463	165,137	(68,256)	85,659
Other comprehensive income/(loss)	70,135	(3,094)	(5,718)	–
Total comprehensive income/(loss)(excluding NCI)	425,598	162,043	(73,974)	85,659
Revenue	6,098,420	4,052,969	222,373	477,112
Depreciation and amortisation	(1,396,200)	(57,836)	(1,333)	(102,775)
Interest income	191,252	13,321	26,404	–
Interest expense	(1,012,045)	(3,693)	(12,176)	(36,187)
Income tax expense	(231,499)	(44,925)	(578)	(6,641)
Fair value based on hierarchy level 1	2,574,281	981,032	39,790	

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies applied between the Group and the associates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15 INTERESTS IN ASSOCIATES (CONTINUED)

The following table summarises the financial information of the Group's material associates, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates: (continued)

	2016					
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Zelan Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000	Other individually immaterial associates RM'000	Total RM'000
<u>Reconciliation of net assets to carrying amount:</u>						
Effective percentage of ownership interest	37.6%	30.9%	39.2%	20.0%		
<u>As at 31 December</u>						
Group's share of net assets/ (liabilities) (excluding NCI)	3,179,684	887,901	51,499	202,508	(652)	4,320,940
#Adjustments	246,789	475	(10,485)	941	–	237,720
Investments in associates	3,426,473	888,376	41,014	203,449	(652)	4,558,660
<u>Group's share of result</u>						
<u>Year ended 31 December</u>						
Group's share of net profit/(loss) for the financial year (excluding NCI)	133,654	51,028	(26,756)	17,132	577	175,635
Adjustments	(53)	234	(271)	(1,327)	–	(1,417)
Group's share of other comprehensive income/(loss)	26,357	(957)	(2,246)	–	–	23,154
Group's share of total comprehensive income/(loss)	159,958	50,305	(29,273)	15,805	577	197,372
<u>Other information</u>						
Gross dividends received by the Group	103,347	34,832	–	–	–	138,179

Note:

#Adjustments primarily relate to goodwill

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 INVESTMENTS IN JOINT ARRANGEMENTS

All the Group's joint arrangements have a financial year ending 31 December, which is consistent with the Group.

All the joint arrangements are strategic to the Group's activities.

Investments in joint ventures

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
Unquoted shares, inside Malaysia	394,647	193,847	21,881	21,081
Share of post-acquisition reserves	163,275	119,294	–	–
	557,922	313,141	21,881	21,081
Disposal of a joint venture	(3,941)	–	–	–
	553,981	313,141	21,881	21,081

Details of the Group's joint ventures are shown in Note 38.

Details of the Group's material acquisition is shown in Note 39(b).

The Group have applied the equity method of accounting consistently for all joint ventures within the Group.

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures:

	2017			
	Penang Port Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjar dan Terowong Sdn. Bhd. RM'000
<u>Summarised financial information</u>				
Effective percentage of ownership interest	49.0%	50.0%	50.0%	50.0%
<u>As at 31 December</u>				
Non-current assets	1,534,417	33,027	1,010,903	403,639
Current assets	249,042	626,492	1,404,618	59,147
Non-current liabilities	(1,151,936)	(273,636)	(135,454)	(319,205)
Current liabilities	(91,655)	(269,641)	(2,155,797)	(44,025)
Deposits, cash and bank balances	169,715	349,499	111,406	55,438
Non-current financial liabilities (excluding trade and other payables and provisions)	(1,000,000)	–	–	(319,205)
Current financial liabilities (excluding trade and other payables and provisions)	–	(38,200)	–	(5,000)
<u>Year ended 31 December</u>				
Net profit/(loss)/total comprehensive income/(expense) for the financial year	63,572	57,618	75,527	(204,332)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures: (continued)

	2017			
	Penang Port Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000
<u>Included in the net profit/(loss)/total comprehensive income/(expense) is:</u>				
Revenue	480,381	1,506,158	1,971,726	32,774
Depreciation and amortisation	(58,844)	(2,339)	(10,446)	(1,138)
Interest income	5,100	1,304	3,549	951
Interest expense	(73,466)	(1,945)	–	(18,339)
Income tax expense	–	(16,608)	(21,338)	(18)

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies applied between the Group and the joint ventures.

	2017					
	Penang Port Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>Reconciliation of net assets to carrying amount:</u>						
Effective percentage of ownership interest	49.0%	50.0%	50.0%	50.0%		
<u>As at 31 December</u>						
Group's share of net assets/carrying amount in the statement of financial position	264,536	58,121	62,135	49,778	119,411	553,981
<u>Group's share of result</u>						
<u>Year ended 31 December</u>						
Group's share of profit/(loss) for the financial year	64,536*	28,809	37,763	(102,166)	63,415	92,357
<u>Other information</u>						
Distribution received	–	32,500	–	–	16,500	49,000

* Included in the share of profit of Penang Port Sdn. Bhd. is negative goodwill amounting to RM44.2 million. Refer to Note 39(b) of the financial statements.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures: (continued)

	2016			
	MMC Gamuda Joint Venture Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000
<u>Summarised financial information</u>				
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%
<u>As at 31 December</u>				
Non-current assets	9,729	58,041	442,763	609,908
Current assets	194,447	846,383	2,285,739	60,118
Non-current liabilities	(41,988)	(145,743)	(41,556)	(329,205)
Current liabilities	(55,045)	(635,057)	(2,638,208)	(38,062)
Deposits, cash and bank balances	5,739	425,281	33,820	56,667
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	(329,205)
Current financial liabilities (excluding trade and other payables and provisions)	–	(56,994)	–	(4,587)
<u>Year ended 31 December</u>				
Net profit/(loss)/total comprehensive income/(expense) for the financial year	(9,989)	103,121	29,419	(6,623)
<u>Included in the net profit/(loss)/total comprehensive income/(expense) is:</u>				
Revenue	58,009	2,990,088	2,389,041	36,071
Depreciation and amortisation	–	(4,257)	(9,645)	(1,138)
Interest income	1,352	1,233	7,606	1,574
Interest expense	(1,614)	(2,057)	–	(18,397)
Income tax expense	(6,560)	(39,729)	(12,373)	–

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies applied between the Group and the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in the accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures: (continued)

	2016					
	MMC Gamuda Joint Venture Sdn. Bhd. RM'000	MMC Gamuda KVMRT (PDP) Sdn. Bhd. RM'000	MMC Gamuda KVMRT (T) Sdn. Bhd. RM'000	Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd. RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
<u>Reconciliation of net assets to carrying amount:</u>						
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%		
<u>As at 31 December</u>						
Group's share of net assets/carrying amount in the statement of financial position	53,571	61,812	24,370	151,944	21,444	313,141
<u>Group's share of result</u>						
<u>Year ended 31 December</u>						
Group's share of (loss)/profit for the financial year	(4,994)	51,560	14,710	(3,312)	16,914	74,878
<u>Other information</u>						
Distribution received	–	40,000	–	–	3,500	43,500

The Group's share of capital commitment and contingent liabilities in the joint ventures are as set out below:

	Group	
	2017 RM'000	2016 RM'000
<u>Capital commitment:</u>		
Property, plant and equipment: Authorised and contracted for	63,716	97,437
<u>Contingent liabilities:</u>		
Performance bond to Government of Malaysia	1,234,555	1,027,555
Advance payment guarantee	345,694	345,694

Investments in joint operations

Details of the Group's joint operations are shown in Note 38.

In relation to the Group's share of interest in the joint operations, the Group and the Company consistently recognise the assets (including the share of any assets held jointly), liabilities (including the share of any liabilities held jointly), revenue from the sale of the share of the output arising from the joint operations (including share of the revenue from the sale of the output by the joint operations) and expenses (including share of any expenses incurred jointly).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

A reconciliation from opening balances to fair value measurement on level 1 of the fair value hierarchy as described in Note 40 is as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	80,994	73,625
Additions	–	3,688
Net gains transferred to equity	8,554	3,681
Disposals	(86,460)	–
	3,088	80,994
Less: non-current portion	(3,088)	(3,352)
	–	77,642

Available-for-sale financial assets comprise the following:

	Group	
	2017 RM'000	2016 RM'000
Listed equity securities:		
– in Malaysia	58	77,700
– outside Malaysia	3,030	3,294
	3,088	80,994

Available-for-sale financial assets are denominated in the following currencies:

	Group	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	58	77,700
Australian Dollar	3,030	3,294
	3,088	80,994

18 AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Amounts due from subsidiaries	366,832	1,585,920
Less: impairment	(5)	(58,603)
	366,827	1,527,317
Amounts due to subsidiaries	78,908	276,005

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18 AMOUNTS DUE FROM/TO SUBSIDIARIES (CONTINUED)

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and have no fixed terms of repayment. However, these amounts are not expected to be recalled within the next twelve months as it is the intention of the Company to treat these amounts as a long term source of capital to the subsidiaries.

During the financial year, the Company subscribed to RCPS of RM1,176,074,000 issued by its subsidiaries by capitalisation of the amounts due from/to subsidiaries to strengthen the issuers' capital base. Please refer to Note 14(b) for the features of the RCPS.

The amounts due to subsidiaries are non-trade in nature, unsecured, interest free, denominated in Ringgit Malaysia and are repayable on demand.

The impairment losses are analysed as follows:

	Company	
	2017 RM'000	2016 RM'000
At 1 January	58,603	58,677
Charge during financial year (Note 7(i))	929	–
Capitalisation of intercompany balances	(59,527)	–
Write back of impairment (Note 7(i))	–	(74)
At 31 December	5	58,603

19 TRADE AND OTHER RECEIVABLES (NON-CURRENT)

Analysis of amounts recoverable after 12 months:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	192,675	105,150	61,486	9,920
Staff loans	4,041	3,923	–	–
Other receivables	116,404	289	–	–
	313,120	109,362	61,486	9,920
Mining exploration expenditure, at cost	9,962	9,962	9,962	9,962
Accumulated impairment losses	(9,962)	(9,962)	(9,962)	(9,962)
Total non-current receivables (Note 24)	313,120	109,362	61,486	9,920
Staff loans to eligible staff	4,323	4,061	–	–
Repayments due within the next twelve months	(282)	(138)	–	–
	4,041	3,923	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19 TRADE AND OTHER RECEIVABLES (NON-CURRENT) (CONTINUED)

Included in trade receivables of the Group is the cash consideration amounting to RM131,188,829 (2016: RM95,230,151) from land disposal during prior financial years. Collaterals were obtained from counterparties as a means of mitigating losses in the event of default. The credit risk is limited as the ownership and rights to the properties revert to the Group in the event of default. The remaining balance at the Group and the Company comprise primarily retention sum from subcontractors.

The receivables are neither past due nor impaired except for the mining exploration expenditure which had been fully impaired.

Other receivables are non-trade in nature, interest free and not expected to be received within the next twelve months.

20 INTANGIBLE ASSETS

<u>Group</u>	Goodwill on consolidation RM'000	Rights on water treatment business RM'000	Rights on airport business RM'000	Rights on port business RM'000	Rights on concession assets RM'000	Total RM'000
<u>Cost</u>						
1 January 2016	1,983,762	30,060	188,909	162,415	552,338	2,917,484
Additions	–	–	–	–	87,934	87,934
At 31 December 2016	1,983,762	30,060	188,909	162,415	640,272	3,005,418
Acquisition of a subsidiary	–	–	–	33,610	–	33,610
Additions	–	–	–	–	50,219	50,219
At 31 December 2017	1,983,762	30,060	188,909	196,025	690,491	3,089,247
<u>Accumulated amortisation/ impairment losses</u>						
1 January 2016	–	(30,060)	(30,170)	–	(1,741)	(61,971)
Amortisation charge	–	–	(4,195)	(5,414)	(19,397)	(29,006)
At 31 December 2016	–	(30,060)	(34,365)	(5,414)	(21,138)	(90,977)
Amortisation charge	–	–	(4,196)	(5,703)	(23,249)	(33,148)
Impairment	–	–	–	–	(739)	(739)
At 31 December 2017	–	(30,060)	(38,561)	(11,117)	(45,126)	(124,864)
<u>Net book value</u>						
At 31 December 2016	1,983,762	–	154,544	157,001	619,134	2,914,441
At 31 December 2017	1,983,762	–	150,348	184,908	645,365	2,964,383

Included in the rights on concession assets of the Group is interest capitalised during the financial year at a rate ranging from 5.0% to 5.78% per annum (2016: 5.78%) amounting to RM3.4 million (2016: RM4.1 million).

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20 INTANGIBLE ASSETS (CONTINUED)

Goodwill on consolidation

The carrying amounts of goodwill arising from the acquisition of the respective subsidiaries allocated to the Group's CGUs are as follows:

	2017 RM'000	2016 RM'000
Pelabuhan Tanjung Pelepas Sdn. Bhd. ("PTP") – port business	1,512,366	1,512,366
NCB Holdings Bhd. ("NCB") – port business	280,891	280,891
Senai Airport Terminal Services Sdn. Bhd. – manage, operate, maintain and develop the Senai International Airport in Johor Darul Takzim and to provide airport and aviation related services and property development ("Airport City")	190,505	190,505
	1,983,762	1,983,762

(A) Port Business

Pelabuhan Tanjung Pelepas Sdn. Bhd.

The recoverable amount of the CGU is determined based on the VIU calculation. The VIU of port business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU.

The VIU is derived based on management's cash flow projections for 5 financial years from 2018 to 2022 and the key assumptions used in the calculation of VIU are as follows:

- Based on the business plan, the projected annual Twenty-Foot Equivalent Unit ("TEU") over the projection period from 2018 to 2022 (2016: 2017 to 2021), will be in the region of 8.5 million (2016: 8.5 million) TEUs;
- The cash flow projections after 2022 are extrapolated to the end of concession period using a nominal long-term growth rate of 3.0% (2016: 3.0%) per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and
- A pre-tax discount rate of 10.0% (2016: 9.4%) per annum is applied over the projection period in determining the recoverable amount of the cash generating unit. Management has also benchmarked this to the industry WACC. The discount rate is derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed its recoverable amount.

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20 INTANGIBLE ASSETS (CONTINUED)

(A) Port Business (continued)

NCB Holdings Bhd.

The recoverable amount of the CGU is determined based on the VIU calculation. The VIU of port business was determined by discounting the future cash flows to be generated from the continuing use of the unit and exceeds the carrying amount of the CGU.

The VIU is derived based on management's cash flow projections for 5 financial years from 2018 to 2022 and the key assumptions used in the calculation of VIU are as follows:

- (a) Projected year on year TEU growth at 5.0% from 2018 – 2022, at 2.0% from 2023 – 2025 and remain constant thereafter.
- (b) The cash flow projections are extrapolated to the end of concession using a nominal long-term average growth rate of 2.0% per annum which takes into consideration the current GDP, inflation and average growth rate for the industry; and
- (c) Pre-tax discount rate of 10.5% (2016: 10.9%) per annum is applied over the projection period in determining the recoverable amount of the cash generating unit. Management has also benchmarked this to the industry WACC. The discount rate is derived from the Capital Asset Pricing Model, which itself depends on inputs reflecting a number of financial and economic variables including risk free rate, debt to equity ratio, beta, cost of debt and equity risk premium.

Management's judgment is involved in estimating the future cash flows of port business. The VIU is sensitive to, amongst others, the projected cash flows during the explicit projection period and the assumptions regarding the long term sustainable pattern of cash flows thereafter.

The circumstances where a reasonably possible change in the key assumptions will cause an impairment loss to be recognised include the following:

- (i) Projected year on year TEU growth decrease to 4.0% from 2018 – 2022; or
- (ii) Long term growth rate beyond the explicit projection period is negative; or
- (iii) Pre-tax discount rate is higher than 11.9%.

If the projected year on year TEU growth decrease to 3.0%, the impairment charged would be approximately RM149 million.

If the pre-tax discount rate is higher at 12.0%, the impairment charged would be approximately RM1 million.

(B) Airport City

Senai Airport City

The estimation of VIU is based on a single combined Airport City business unit to reflect the overall strategy of the Senai Airport Terminal Services Sdn. Bhd. ("SATS") group, whereby all of the activities within various companies within the SATS group are elements of the overall strategic master plan to develop Senai Airport City.

(a) Airport Operations

The recoverable amount of the Airport Operations is determined based on VIU approach. The VIU of the Airport Operations is determined by discounting the future cash flows to be generated from the continuing use of the assets over the remaining useful life of the concession.

The key assumptions used in the calculation of the VIU are as follows:

- (i) Pre-tax discount rate of 10.7% (2016: 10.7%) per annum;
- (ii) A high growth potential is projected due to the development of the Iskandar Development Region. The development is expected to significantly increase the number of passenger over the next 5 years (2016: 5 years) and thereafter a 1% to 2% (2016: 1% to 2%) growth rate is expected for the duration of the concession period;
- (iii) The inflation rate is expected to remain at 4% to 6% (2016: 2% to 5%) per annum throughout the concession period; and
- (iv) Non-aeronautical revenue is assumed to grow in tandem with passenger growth.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20 INTANGIBLE ASSETS (CONTINUED)

(B) Airport City (continued)

Senai Airport City (continued)

(b) Property Development Land

The recoverable amount of the property development land is determined based on the market value of the land which as of December 2017, has been valued at a price higher than the fair value upon acquisition.

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, it is concluded that no reasonable change in the base case assumptions would cause the carrying amounts of the CGUs to exceed their recoverable amounts.

21 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	717,255	770,377	–	27,418
Deferred tax liabilities	(543,408)	(527,653)	–	–
	173,847	242,724	–	27,418

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	242,724	194,994	27,418	–
(Charged)/Credited to profit or loss (Note 9):				
– property, plant and equipment	(4,944)	(35,860)	(2,895)	(2,262)
– tax losses	(16,589)	13,318	–	–
– provisions	(47,938)	45,878	(24,523)	29,680
– investment tax allowances	7,409	24,394	–	–
	(62,062)	47,730	(27,418)	27,418
Acquisition of a subsidiary	(6,815)	–	–	–
At 31 December	173,847	242,724	–	27,418

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subject to income tax:				
<u>Deferred tax assets</u>				
Property, plant and equipment	126,862	117,679	372	318
Tax losses	23,117	39,706	–	–
Provisions	34,167	82,105	5,341	29,863
Investment tax allowances	1,008,259	1,000,850	–	–
Deferred tax assets (before offsetting)	1,192,405	1,240,340	5,713	30,181
Offsetting	(475,150)	(469,963)	(5,713)	(2,763)
Deferred tax assets (after offsetting)	717,255	770,377	–	27,418
<u>Deferred tax liabilities</u>				
Property, plant and equipment	(1,018,558)	(997,616)	(5,713)	(2,763)
Offsetting	475,150	469,963	5,713	2,763
Deferred tax liabilities (after offsetting)	(543,408)	(527,653)	–	–

The amount of deductible temporary differences and unused tax losses (both of which have no expiry dates) for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group	
	2017 RM'000	2016 RM'000
Deductible temporary differences	319,899	307,771
Unused tax losses	203,631	202,385
	523,530	510,156

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22 INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Spares, consumables and container repair materials	111,744	107,333
Chemicals	233	129
Raw materials	–	29
Freehold land	6,100	85,558
Development expenditure	14,022	33,090
	132,099	226,139
Less: allowance for slow moving stocks	(13,017)	(14,845)
Current	119,082	211,294
Freehold land	1,631,307	1,551,849
Development expenditure	230,504	182,507
Non-current	1,861,811	1,734,356
	1,980,893	1,945,650
	Company	
	2017 RM'000	2016 RM'000
Consumables	7,296	9,539

Inventories of the Group of RM310.9 million (2016: RM304.9 million) comprising of freehold land, spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 28.

Freehold land

Freehold land comprises several contiguous pieces of land with a total area of approximately 2,091.71 acres, earmarked for the development of a cargo and logistics hub, high-tech industries park and mixed development as an integral part of Senai Airport City.

Development expenditure

Development expenditure includes the cost incurred in relation to the development in a subsidiary's freehold properties.

The allowance for slow moving stocks are analysed as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	14,845	17,647
Write back during the financial year (Note 7(i))	(1,828)	(2,802)
At 31 December	13,017	14,845

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23 ASSETS HELD FOR SALE

	Group	
	2017 RM'000	2016 RM'000
Investment properties	–	352
Property, plant and equipment	148,454	148,876
At 1 January	149,228	520
Transfer to investment properties (Note 13)	(174)	–
Transfer from property, plant and equipment (Note 12)	–	148,876
Disposal	(600)	(168)
	148,454	149,228
	Company	
	2017 RM'000	2016 RM'000
Property, plant and equipment	303	303
At 1 January	303	–
Transfer from property, plant and equipment (Note 12)	–	303
	303	303

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	1,470,121	1,385,449	559,032	434,206
Less: impairment of trade receivables	(77,797)	(68,087)	(8)	(8)
	1,392,324	1,317,362	559,024	434,198
Other receivables	298,788	458,444	94,030	18,722
Less: impairment of other receivables	(68,181)	(67,296)	(1,432)	(864)
	230,607	391,148	92,598	17,858
Deposits	24,258	41,477	1,980	22,722
Prepayments	56,708	78,066	4,594	39,390
	311,573	510,691	99,172	79,970
Amounts due from contract customers (Note 33)	239,635	217,803	62,356	123,753
Amounts due from associates	3,149	2,258	897	1,770
Amounts due from joint ventures	262,915	281,794	248,340	311,152
Total current receivables	2,209,596	2,329,908	969,789	950,843
Total non-current receivables (Note 19)	313,120	109,362	61,486	9,920
	2,522,716	2,439,270	1,031,275	960,763

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

Credit terms of trade receivables of the Group and the Company vary from 30 to 60 days (2016: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on significant customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade receivables due from a contractor of Klang Valley Mass Rapid Transit project and a major international shipping line customer, representing approximately 49% (2016: 42%) of the total trade receivables of the Group. The maximum exposures to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

As at 31 December 2017, trade and other receivables of RM210.5 million (2016: RM277.7 million) for the Group were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The aging analysis of trade and other receivables (excluding deposits and prepayments) are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	1,918,164	1,932,635	963,215	888,731
Past due not impaired:				
Up to 3 months	132,256	162,892	–	–
3 to 6 months	30,627	77,457	–	–
More than 6 months	47,583	37,381	–	–
	210,466	277,730	–	–
Impaired	145,978	135,383	1,440	872
	2,274,608	2,345,748	964,655	889,603

The receivables that are neither past due nor individually impaired are creditworthy debtors with good payment records with the Group and the Company. More than 84% (2016: 83%) of the Group's and 100% (2016: 100%) of the Company's gross receivables are from this group of customers. Receivables that are past due but not individually impaired relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2017, trade and other receivables amounting to RM146.0 million (2016: RM135.4 million) for the Group and RM1,440,000 (2016: RM872,000) for the Company were impaired and provided for. The individually impaired receivables mainly relate to customers, which some have defaulted in payment. The aging analysis of these trade and other receivables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
More than 6 months	145,978	135,383	1,440	872

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24 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of trade and other receivables for the Group (excluding deposits and prepayments) are as follows:

	Group	
	2017 RM'000	2016 RM'000
Functional currency (RM)		
– US Dollar	156,333	159,480

Trade and other receivables for the Company are denominated in Ringgit Malaysia.

The Group's historical experience shows that the allowances for impaired receivables have been adequate and due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's receivables.

Movements on the impairment for trade and other receivables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	135,383	128,946	872	872
Impairment during the financial year (Note 7(i))	15,414	14,877	568	–
Write-off	(536)	(1,834)	–	–
Write-back of impairment of receivables (Note 7(ii))	(4,283)	(6,606)	–	–
At 31 December	145,978	135,383	1,440	872

The allowance and the write-back of allowance for impaired trade and other receivables have been included in "other operating expenses" in the statement of comprehensive income.

The amounts due from joint ventures are unsecured, interest free, have no fixed terms of repayment and denominated in Ringgit Malaysia.

25 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with:				
Licensed banks	190,598	246,539	1,250	81,220
Investment banks	144,157	132,436	60,824	92,040
Other financial institutions	112,923	281,753	–	–
	447,678	660,728	62,074	173,260
Cash and bank balances	135,817	161,418	19,992	46,897
Cash and cash equivalents	583,495	822,146	82,066	220,157
Deposits with maturity more than 90 days with:				
Licensed banks	45,126	15,977	–	–
Investment banks	376,904	386,286	95,849	27,560
	422,030	402,263	95,849	27,560
Total	1,005,525	1,224,409	177,915	247,717

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

The currency exposure profile of the deposits, bank and cash balances are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Functional currency (RM)				
– US Dollar	553	630	–	–

The weighted average interest rates of deposits, bank and cash balances that were effective as at end of reporting period are as follows:

	Group		Company	
	2017 % per annum	2016 % per annum	2017 % per annum	2016 % per annum
Deposits placed with:				
Licensed banks	3.19	3.25	3.04	3.42
Investment banks	3.60	3.89	3.44	3.91
Other financial institutions	3.68	3.96	–	–

The Group and the Company have deposits with an average maturity of 24 days (2016: 35 days) and 7 days (2016: 22 days) respectively.

26 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised:				
Ordinary shares of RM0.10 each:				
At 1 January	10,000,000	10,000,000	1,000,000	1,000,000
Transition to no-par value regime	(10,000,000)	–	(1,000,000)	–
At 31 December	–	10,000,000	–	1,000,000
Issued and fully paid:				
At 1 January	3,045,058	3,045,058	304,506	304,506
Transition to no-par value regime	–	–	2,039,770	–
At 31 December	3,045,058	3,045,058	2,344,276	304,506

The Companies Act 2016 (“2016 Act”) which came into effect from 31 January 2017 has repealed the Companies Act 1965. The 2016 Act abolished the concept of par or nominal value of shares and hence, the share premium, capital redemption reserve and authorised capital had been abolished. In accordance with Section 618(2) of the 2016 Act, the amount standing to the credit of the share premium account, has become part of the Company’s share capital. There is no impact on the number of ordinary shares in issue of 3,045,058,552 or the entitlement of the holders of the Company’s ordinary shares. Pursuant to subsection 618(3) and 618(4) of the 2016 Act, the Group may exercise its right to use the credit amounts being transferred from share premium account within 24 months after the commencement of the 2016 Act.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 REDEEMABLE PREFERENCE SHARES ("RPS")

	Group	
	2017 RM'000	2016 RM'000
Nominal value of RPS at RM0.01 each:		
At 1 January/31 December	1,140	1,140
Premium on RPS:		
At 1 January/31 December	112,911	112,911
	114,051	114,051
Dividend on RPS	50,023	47,378
Classified as liabilities	164,074	161,429
Less: accumulated redemption	(114,051)	(91,241)
At 31 December	50,023	70,188
Amount recognised within the next twelve months (Note 30)	(16,674)	(20,165)
Classified as non-current liabilities	33,349	50,023

Details of the RPS are as follows:

- (i) The RPS shall be fully redeemable in five equal instalments at the total amount of RM114.1 million to be payable on 30 September of every year starting from 30 September 2013 to 30 September 2017.
- (ii) The holders of the RPS shall have the right to receive a fixed cumulative preferential dividend of RM50.0 million for all the RPS based on par value of RM0.01 per share and which shall be payable in three equal instalments on 30 September 2018, 30 September 2019 and 30 September 2020.
- (iii) The RPS shall not confer any voting right except where the rights of the RPS are affected.
- (iv) In the event of liquidation, the holders of the RPS shall rank pari passu with the holders of ordinary shares and shall rank in priority to the other holders of preference shares, save for the Special Share in respect of any distribution or repayment of capital.

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28 BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Current</u>				
Secured:				
Term loans	583,563	377,955	–	–
Islamic Medium Term Notes	13,237	13,172	–	–
Revolving Credits	23,000	17,015	–	–
Unsecured:				
Term loans	–	151,875	–	70,000
Revolving Credits	637,100	853,000	528,000	605,000
Multi-option line	1,476	–	–	–
Government Loan	91,667	81,667	–	–
	1,350,043	1,494,684	528,000	675,000
<u>Non-current</u>				
Secured:				
Term loans	3,057,690	3,781,243	1,120,879	1,120,557
Islamic Medium Term Notes	1,722,972	1,701,188	–	–
Unsecured:				
Term loans	50,000	317,021	50,000	–
Revolving Credits	–	100,000	–	100,000
Government Loan	8,333	18,333	–	–
Sukuk	2,635,886	1,633,869	1,500,000	1,300,000
	7,474,881	7,551,654	2,670,879	2,520,557
Total	8,824,924	9,046,338	3,198,879	3,195,557
Fair values of borrowings	8,839,503	9,025,457	3,210,585	3,207,297

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 BORROWINGS (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Analysis of repayment schedule:				
Within 1 year	1,350,043	1,494,684	528,000	675,000
From 1 to 2 years	1,656,921	935,028	1,125,049	100,000
From 2 to 5 years	3,446,246	4,847,758	405,830	1,480,557
After 5 years	2,371,714	1,768,868	1,140,000	940,000
	8,824,924	9,046,338	3,198,879	3,195,557

Ports and Logistics

- (i) A term loan of a subsidiary has fixed interest rate of 1% per annum above the effective cost of funds, fixed at each drawdown date until 31 December 2016 and floating interest rate of 1% per annum above the cost of funds of the lender from 1 January 2017 onwards. Other term loans have fixed interest rate of 1.5% per annum above the effective cost of funds of the lender from November 2011 onwards.

The term loans are repayable in equal semi-annual instalments ranging from 14 to 26 equal instalments.

The term loans are secured by:

- (a) a fixed and floating charge by way of debenture over all the assets and undertaking of the subsidiary;
 - (b) a charge on the specific Designated Accounts and all monies standing to the credit of the subsidiary; and
 - (c) assignment of certain rights and benefits of the subsidiary.
- (ii) A term loan (Commodity Murabahah Term Financing loan) of a subsidiary, carries effective islamic cost of funds rate plus 1.30% per annum and is repayable in 10 instalments commencing from the end of the fourth year from the first disbursement date. This facility is secured by way of a negative pledge over the subsidiary's property, plant and equipment. In addition, the subsidiary shall remain as the subsidiary of the Company and the value of their shareholders' funds shall not be less than RM500 million at all times. The term loan was fully repaid during the financial year.
- (iii) A term loan (Commodity Murabahah Term Financing loan) of a subsidiary, carries effective islamic cost of funds rate plus 1.20% per annum. This facility is secured by way of a negative pledge over the subsidiary's property, plant and equipment. In addition, the subsidiary shall remain as the subsidiary of the Company and the value of their shareholders' funds shall not be less than RM500 million at all times, the gearing ratio shall not exceed 1 times and minimum profit coverage of 5 times at the subsidiary level. The term loan was fully repaid during the financial year.
- (iv) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2010 was established in accordance with Shariah principle of Musyarakah. The tenure of the IMTN commencing from date of the first issuance of the IMTN and ending on a date falling 10 years thereafter, with redemption in September 2020. Profit rates on the IMTN are charged at a fixed rate which ranges from 3.75% to 4.36% per annum.
- (v) A revolving credit (Murabahah Tawarruq) of a subsidiary is charged at profit rate of 1% per annum above the islamic cost of funds rate and repayable in full at the end of each profit period, unless rollover. Profit shall be paid in arrears upon maturity of each period at prevailing rate. The revolving credit was fully repaid during the financial year.
- (vi) A revolving credit (Murabahah Tawarruq) of a subsidiary is charged at profit rate of 1.25% per annum for the first 36 months and subsequently 1% per annum above the islamic cost of funds rate and repayable in full at the end of each profit period, unless rollover. Profit shall be paid in arrears upon maturity of each period at prevailing rate.
- (vii) The Islamic Commercial Paper ("ICP") and IMTN programme entered into by a subsidiary in 2014 with a combined nominal value of RM1.5 billion and a sub-limit on the ICP of RM500.0 million in nominal value were established in accordance with Shariah principle of Musharakah (collectively known as Sukuk Musharakah programmes). As at reporting date, the subsidiary has issued RM450 million Sukuk Musharakah under its IMTN programme which RM350 million has a 10-year tenure maturing December 2024, carries a profit rate of 5.78% per annum and RM100 million has a 5-year tenure maturing December 2022, carries a profit rate of 5.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 BORROWINGS (CONTINUED)

Ports and Logistics (continued)

- (viii) During the financial year, an IMTN program entered into by a subsidiary with a nominal value of RM1.0 billion was established in accordance with Shariah principle of Murabahah. As at reporting date, the subsidiary has issued RM700 million under its IMTN programme comprising RM250 million with 5-year tenure maturing October 2022, RM250 million with 7-year tenure maturing October 2024 and RM200 million with 10-year tenure maturing October 2027. The profit rates on the IMTN ranging from 5.00% to 5.38% per annum.

Engineering and Construction

- (ix) The revolving credits of subsidiaries are unsecured and bear an effective interest rate of 4.3% to 4.8% (2016: 4.8%) per annum.

Corporate and others

- (x) The term loans of the Company are secured by certain assets of the subsidiaries. Interest rates on the term loans of the Company ranges from 4.84% to 6.25% (2016: 4.70% to 6.25%) per annum. The tenure of the loans ranges from 3 - 5 years with scheduled and bullet repayments.
- (xi) A term financing-i of a subsidiary carries interest ranges from 4.19% to 4.20% (2016: 4.19% to 4.44%) per annum with repayable period up to 31 December 2018. The term financing-i was secured by:
- (a) pledge of bank guarantees issued by the purchaser in respect of the land disposal; and
 - (b) pledge of bank account.
- (xii) The IMTN entered into by a subsidiary in 2011 was established in accordance with the Shariah principle of Ijarah. The IMTN program comprised a first tranche with a tenure of 13 years and a second tranche with a tenure of 11.5 years, commencing from date of the issuance of each tranche. The profit rates for the first and second tranche are charged at 4.218% per annum and 4.118% per annum respectively, payable on semi-annually.
- (xiii) The revolving credit facilities of the Company bear interest ranging from 3.85% to 4.90% per annum (2016: 4.10% to 4.75% per annum).
- (xiv) The Government loan of a subsidiary is repayable starting on the sixth concession year in ten equal instalments and each payment shall be made within the first month of the particular concession year.
- (xv) The IMTN programme entered into by the Company in 2015 was established in accordance with Shariah principle of Murabahah (via tawarruq arrangement). The tenure of the IMTNs issued under the programme ranges from 5 years to 12 years. Profit rates on the IMTN issued are at fixed rates ranging from 5.29% to 5.95% per annum.
- (xvi) Term loans of subsidiaries are secured by certain assets of the subsidiaries and the Company's subsidiaries. The interest rates ranges from 4.95% to 5.79% per annum with loan tenure of 5 years.

29 LAND LEASE RECEIVED IN ADVANCE

	Group	
	2017 RM'000	2016 RM'000
<u>At cost:</u>		
At 1 January	254,229	262,743
Additions during the financial year	12,736	25,706
Recognised as income during the financial year (Note 7(i))	(14,137)	(17,148)
Recognisable within next 12 months (included under other payables) (Note 30)	(17,072)	(17,072)
At 31 December	235,756	254,229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Current</u>				
Trade payables	395,279	437,282	31,024	132,642
Other payables	535,994	647,800	83,647	131,327
Accruals	677,679	834,859	183,956	460,136
Dividend payable on RPS (Note 27)	16,674	20,165	–	–
Land lease received in advance (Note 29)	17,072	17,072	–	–
Land lease liabilities (Note 30(a))	1,983	2,281	–	–
Finance lease liabilities (Note 30(a))	2,900	7,667	–	–
Concession fee payable (Note 30(b))	18,000	20,000	–	–
Amounts due to contract customers (Note 33)	675,499	10,319	663,947	–
Provision for retirement benefits (Note 30(c))	2,397	2,395	–	–
	2,343,477	1,999,840	962,574	724,105
<u>Non-current</u>				
Trade payables	21,800	28,764	21,800	28,764
Other payables	280,329	266,260	–	–
Land lease liabilities (Note 30(a))	9,371	10,475	–	–
Finance lease liabilities (Note 30(a))	366	3,293	–	–
	311,866	308,792	21,800	28,764
Total	2,659,343	2,308,632	984,374	752,869

The currency exposure profile of the trade and other payables are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Functional currency (RM):				
– US Dollar	2,289	2,106	–	–
– EURO	10	93	–	–
– Others	1,143	873	–	–
	3,442	3,072	–	–

Credit terms of trade payables granted to the Group and the Company vary from immediate payment to 90 days (2016: immediate payment to 90 days).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Lease liabilities

	Group			
	Land lease liabilities		Finance lease liabilities	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments:				
Not later than 1 year	2,793	3,170	2,975	8,004
Later than 1 year and not later than 5 years	9,397	8,962	372	3,002
Later than 5 years	1,958	4,307	–	372
	14,148	16,439	3,347	11,378
Less: unexpired term charges	(2,794)	(3,683)	(81)	(418)
	11,354	12,756	3,266	10,960
Present value of finance lease obligations:				
Not later than 1 year	1,983	2,281	2,900	7,667
Later than 1 year and not later than 5 years	7,484	10,475	366	2,927
Later than 5 years	1,887	–	–	366
	11,354	12,756	3,266	10,960

Land lease liabilities are in respect of the airport land which was leased by a subsidiary from the Federal Land Commissioner for a period of 30 years commencing 1 November 2003 with an option to extend for a further period of 20 years upon terms and conditions as to be mutually agreed.

(b) Concession fee payable

	Group	
	2017 RM'000	2016 RM'000
Not later than 1 year	18,000	20,000

A Concession Agreement was entered by a subsidiary with the Federal Government for a cumulative period of 50 years commencing 1 November 2003 to operate, manage and develop the Senai International Airport, Johor Darul Takzim. The said agreement is subject to the continued existence of the operating license granted by the Federal Government which is for a period of 50 years commencing on the same date with an option to extend for a further period upon terms and conditions to be mutually agreed.

The concession fee of RM18 million (2016: RM20 million) is payable to Federal Government which is for the rights granted to operate, manage and develop the Airport, as disclosed above.

The first payment of the concession fee shall be payable on the sixth concession year, which is 1 November 2009 and the next four payments shall be on subsequent concession years and each payment shall be made within the first month of the particular concession year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Provision for retirement benefits

	Group	
	2017 RM'000	2016 RM'000
Present value of unfunded obligations	18,992	17,881
Net liability recognised in the statement of financial position	18,992	17,881
Analysed as:		
Current	2,397	2,395
Non-current	16,595	15,486
	18,992	17,881
Movement in defined benefit liabilities:		
	Group	
	2017 RM'000	2016 RM'000
Defined benefit liabilities at beginning of the year	17,881	15,611
Included in profit or loss:		
Current service cost	1,172	1,813
Interest cost	405	523
	1,577	2,336
Included under other comprehensive income:		
Actuarial loss/(gain) arising from:		
– financial assumption changes	–	171
– demographic assumption changes	–	(179)
– experience adjustment	–	627
	–	619
Other movements:		
Benefits paid by the plan	(466)	(685)
Defined benefit obligations at end of the year	18,992	17,881

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30 TRADE AND OTHER PAYABLES (CONTINUED)

(c) Provision for retirement benefits (continued)

The principal actuarial assumptions used in respect of the subsidiaries' defined benefit plan are as follows:

	Group	
	2017	2016
	%	%
Discount rates	5.3	5.3
Salary inflation rates	6.0	6.0

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group	
	2017	2016
	RM'000	RM'000
Impact on the aggregate service and interest costs:		
Discount rate:		
One percentage point increase	(1,129)	(877)
One percentage point decrease	1,129	877
Salary inflation:		
One percentage point increase	1,057	932
One percentage point decrease	(1,057)	(932)

Impact on the defined benefit obligation:

Discount rate:		
One percentage point increase	(1,129)	(877)
One percentage point decrease	1,129	877
Salary inflation:		
One percentage point increase	1,057	932
One percentage point decrease	(1,057)	(932)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31 DEFERRED INCOME

	Group	
	2017 RM'000	2016 RM'000
At 1 January	288,767	328,298
Deferred income received during the financial year	82	126
Recognised as income during the financial year (Note 7(i))	(29,282)	(39,657)
At 31 December	259,567	288,767
Non-current	230,308	259,465
Current	29,259	29,302
At 31 December	259,567	288,767

Deferred income is in relation to the grants/funds received by subsidiaries for development activities related to logistics businesses.

32 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2017		2016	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Current</u>				
Derivative used for hedging:				
Forward foreign currency exchange	–	8,140	15,715	15
Derivative held for trading:				
Warrants	3,868	–	5,526	–
	3,868	8,140	21,241	15
<u>Non-current</u>				
Derivative used for hedging:				
Forward foreign currency exchange	–	–	5,154	–
	Company			
	2017		2016	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Current</u>				
Derivative held for trading:				
Warrants	3,868	–	5,526	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

- (i) The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2017 were RM206,986,000 (2016: RM358,273,000). The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2017 relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.
- (ii) The warrants are traded on Bursa Malaysia. It entitles the holder to subscribe for 1 new ordinary shares of Zelan Berhad at the exercise price of RM0.25 per warrant and matures on 25 January 2019. The warrants are classified as current as the exercise rights of the warrants are at the discretion of the holder.

33 CONSTRUCTION CONTRACTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Aggregate costs incurred and recognised profits (less losses) to date	9,860,698	8,731,873	7,885,208	7,395,933
Progress billings	(10,296,562)	(8,524,389)	(8,486,799)	(7,272,180)
	(435,864)	207,484	(601,591)	123,753
Amounts due from contract customers (Note 24)	239,635	217,803	62,356	123,753
Amounts due to contract customers (Note 30)	(675,499)	(10,319)	(663,947)	–
	(435,864)	207,484	(601,591)	123,753
Retention on contracts	30,733	28,764	30,733	28,764

The amounts due from and to contract customers are denominated in Ringgit Malaysia.

34 SEGMENTAL INFORMATION

The Board of Directors is the Group's Chief Operating Decision-Maker ("CODM"). Management has determined the operating segments based on the directions provided by the Board of Directors for the purposes of allocating resources and assessing performance. The Heads of Departments are responsible for the development of corporate strategies.

The reportable segments of ports and logistics mainly derive their revenue and results from ports while energy and utilities derive their results mainly from electricity generation (Energy) and natural gas distribution (Gas); engineering and construction segment derive their revenue and results from infrastructure and construction projects; airport segment derive their revenue and results from airport operations. Included in "Others" are mainly investment holding and water treatment operations, which individually does not meet the quantitative thresholds required by MFRS 8.

Segmental information is presented in respect of the Group's business segments. Inter-segment pricing is determined based on negotiated terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 SEGMENTAL INFORMATION (CONTINUED)

	Ports and logistics	Energy and utilities		Engineering and construction	Airport	Others	Total
	RM'000	Gas RM'000	Energy RM'000	RM'000	RM'000	RM'000	RM'000
2017							
<u>Revenue</u>							
Total	2,826,689	–	–	1,459,894	58,111	20,285	4,364,979
Inter-segment	(9,836)	–	–	(195,048)	–	–	(204,884)
External	2,816,853	–	–	1,264,846	58,111	20,285	4,160,095
<u>Results</u>							
Profit/(loss) before zakat and taxation	478,756	55,782	105,749	194,060	4,989	(387,597)	451,739
Finance costs	168,716	–	–	3,722	27,064	291,703	491,205
Depreciation and amortisation	428,607	–	–	4,513	26,810	5,990	465,920
EBITDA*	1,076,079	55,782	105,749	202,295	58,863	(89,904)	1,408,864
<u>Other information</u>							
Segment assets	11,476,924	–	–	1,573,217	3,075,639	611,666	16,737,446
Joint ventures	265,495	–	–	288,486	–	–	553,981
Associates	5,789	893,332	3,416,047	19,427	–	181,521	4,516,116
Interest-bearing instruments	739,223	–	–	131,099	39,422	95,781	1,005,525
Total assets							22,813,068
Segment liabilities	1,859,652	–	–	1,263,382	536,148	62,905	3,722,087
Interest-bearing instruments	3,647,109	–	–	21,976	468,689	4,720,499	8,858,273
Total liabilities							12,580,360
<u>Other disclosures</u>							
Capital expenditure	498,149	–	–	114,472	8,662	1,674	622,957
Interest income	21,313	–	–	1,981	1,480	1,041	25,815
Depreciation:							
– property, plant and equipment	384,155	–	–	4,513	–	28,180	416,848
– investment properties	15,500	–	–	–	–	424	15,924
Amortisation of:							
– rights on airport business	–	–	–	–	4,196	–	4,196
– rights on port business	5,703	–	–	–	–	–	5,703
– rights on concession assets	23,249	–	–	–	–	–	23,249

* EBITDA – Earnings/(loss) before interest, tax, depreciation and amortisation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 SEGMENTAL INFORMATION (CONTINUED)

	Ports and logistics	Energy and utilities		Engineering and construction	Airport	Others	Total
	RM'000	Gas RM'000	Energy RM'000	RM'000	RM'000	RM'000	RM'000
2016							
<u>Revenue</u>							
Total	2,749,359	–	–	1,570,410	359,134	21,206	4,700,109
Inter-segment	(14,237)	–	–	(58,484)	–	–	(72,721)
External	2,735,122	–	–	1,511,926	359,134	21,206	4,627,388
<u>Results</u>							
Profit/(loss) before zakat and taxation	440,920	51,262	133,601	348,863	144,259	(446,163)	672,742
Finance costs/(income)	176,253	–	–	(1,394)	27,160	286,059	488,078
Depreciation and amortisation	414,369	–	–	5,790	27,066	4,838	452,063
EBITDA*	1,031,542	51,262	133,601	353,259	198,485	(155,266)	1,612,883
<u>Other information</u>							
Segment assets	11,444,138	–	–	1,091,277	3,293,447	809,432	16,638,294
Joint ventures	4,693	–	–	322,122	–	(13,674)	313,141
Associates	5,365	888,376	3,426,473	41,016	–	197,430	4,558,660
Interest-bearing instruments	852,764	–	–	196,467	41,513	133,665	1,224,409
Total assets							22,734,504
Segment liabilities	1,805,595	–	–	986,218	570,411	45,401	3,407,625
Interest-bearing instruments	3,591,884	–	–	–	560,632	4,943,845	9,096,361
Total liabilities							12,503,986
<u>Other disclosures</u>							
Capital expenditure	581,337	–	–	3,428	787	214	585,766
Interest income	29,173	–	–	7,386	1,967	2,559	41,085
Depreciation:							
– property, plant and equipment	383,844	–	–	5,790	22,872	4,370	416,876
– investment properties	5,714	–	–	–	–	467	6,181
Amortisation of:							
– rights on airport business	–	–	–	–	4,195	–	4,195
– rights on port business	5,414	–	–	–	–	–	5,414
– rights on concession assets	19,397	–	–	–	–	–	19,397

* EBITDA – Earnings/(loss) before interest, tax, depreciation and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34 SEGMENTAL INFORMATION (CONTINUED)

The Group's operations are principally based in Malaysia. The foreign-based entities' revenue, results, assets and liabilities in comparison to the Group's figures are not significant. Accordingly, no segmental information based on geographical segment is disclosed.

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

Customer	Segment	2017 RM'000	2016 RM'000
Customer A	Ports and logistics	667,723	618,278
Customer B	Engineering and construction	597,108	914,229
Total		1,264,831	1,532,507

35 SIGNIFICANT CONTINGENT LIABILITIES

- (a) A jointly-controlled entity of the Company, MMC Gamuda KVMRT (PDP) Sdn. Bhd. ("KVMRT PDP") was served with a Writ and Statement of Claim by Accolade Land Sdn. Bhd. ("Accolade") on 24 June 2016.

The suit is premised on a purported breach of an alleged contract between Accolade and Mass Rapid Transit Corporation Sdn. Bhd. ("MRT Corp") relating to the acquisition of Accolade's land by MRT Corp for the Klang Valley Mass Rapid Transit project, in which KVMRT PDP was the Project Delivery Partner. In the suit, Accolade claims, jointly and severally against the four Defendants, damages in the sum of RM303,534,216, interest and costs.

On 20 April 2017, the High Court allowed the striking out applications by KVMRT PDP and the other Defendants against Accolade's claims, with costs. Accolade has filed an appeal to the Court of Appeal against the High Court decision, which hearing is fixed on 24 April 2018.

- (b) At 31 December 2017, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Bank guarantees issued to third parties for performance (secured/unsecured)	220,369	194,533	—	—

Bank guarantees issued to third parties mainly comprise customers and utilities suppliers. These are mainly in respect of performance bonds and payment guarantee for utilities facilities.

There are no other material contingent liabilities, litigations or guarantees other than those arising in the ordinary course of the business of the Group and the Company and the Directors are of the opinion that their outcome will not have a material adverse effect on the financial positions of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36 COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Capital commitments:				
Property, plant and equipment				
Contracted but not provided for	507,042	224,308	–	–
(b) Non-cancellable operating lease commitments				
	Group			
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i) For computer hardware:				
Not later than 1 year			16	93
Later than 1 year and not later than 5 years			–	–
			16	93
(ii) For the port area:				
Not later than 1 year			34,046	34,046
Later than 1 year and not later than 5 years			143,553	140,231
Later than 5 years			1,520,171	1,557,537
			1,697,770	1,731,814
(iii) For rental of office building and equipment:				
Not later than 1 year			9,789	16,273
Later than 1 year and not later than 5 years			1,997	6,807
			11,786	23,080
Total			1,709,572	1,754,987

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party transactions and year end balances other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Dr/(Cr)				
(a) The following transactions were carried out with related parties:				
Companies subject to common significant influence:				
Net repayment of borrowings	(130,000)	(40,000)	–	–
Net increase/(decrease) in deposits	90,833	154,970	(31,217)	8,880
Acquisition of interest in:				
– a joint venture	(200,000)	–	–	–
– a subsidiary	(21,000)	–	–	–
Joint ventures: Management fees	17,057	9,986	17,057	9,986

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(b) Financial year-end balances arising from:				
Companies subject to common significant influence:				
Borrowings	205,000	335,000	–	–
Deposits	437,359	367,497	60,823	92,040

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(c) Key management compensation				
Fees	2,065	2,085	1,175	1,200
Salaries and bonuses	14,938	13,011	14,938	13,011
Defined contribution plan – contributions	2,222	1,844	2,222	1,844
Other employee benefits	1,059	1,088	1,011	1,043
	20,284	18,028	19,346	17,098

Key management includes Directors (executive and non-executive) and head of departments of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below:

Subsidiaries

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2017 %	2016 %	
Aliran Ihsan Resources Berhad	Malaysia	100.0	100.0	Investment holding
Anglo-Oriental (Annuities) Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding
Anglo-Oriental (Malaya) Sdn. Bhd.	Malaysia	100.0	100.0	Investment and property holding
Johor Port Berhad	Malaysia	100.0	100.0	Port and other port related activities, construction activities and any other related works
MMC Engineering Group Berhad	Malaysia	100.0	100.0	Engineering, management services and investment holding
# MMC International Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
* MMC Land Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding
MMC Pembetulan Langat Sdn. Bhd.	Malaysia	100.0	100.0	Design, develop, construct and build of sewage plant
MMC Port Holdings Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding
MMC Tepat Teknik Sdn. Bhd.	Malaysia	100.0	100.0	Manufacturing and contracting works in the engineering related fields
Pelabuhan Tanjung Pelepas Sdn. Bhd.	Malaysia	70.0	70.0	Constructing, operating, maintaining and managing Pelabuhan Tanjung Pelepas together with the provision of port facilities and other related services under the terms of license issued by the Johor Port authority
Pernas Charter Management Sdn. Bhd.	Malaysia	100.0	100.0	Provision of management services to holding company and fellow subsidiaries
* Senai Airport Terminal Services Sdn. Bhd.	Malaysia	100.0	100.0	To manage, operate, maintain and develop the Senai International Airport
Timah Securities Berhad	Malaysia	100.0	100.0	Property investment
<u>Subsidiary of Aliran Ihsan Resources Berhad</u>				
Aliran Utara Sdn. Bhd.	Malaysia	100.0	100.0	Operation, maintenance and management of water treatment plant
<u>Subsidiaries of Anglo-Oriental (Annuities) Sdn. Bhd.</u>				
Labohan Dagang Galian Sendirian Berhad	Malaysia	100.0	100.0	Investment holding
MMC Marketing Sdn. Bhd.	Malaysia	100.0	100.0	Property investment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2017 %	2016 %	
<u>Subsidiary of Anglo-Oriental (Malaya) Sdn. Bhd.</u>				
Tronoh Holdings (Selangor) Sendirian Berhad	Malaysia	100.0	100.0	Property investment
<u>Subsidiaries of Johor Port Berhad</u>				
JP Logistics Sdn. Bhd.	Malaysia	100.0	100.0	Provision of warehouse and office space, rendering cargo and container handling, freight forwarding, internal and external haulage services, container repairs and maintenance and yard operations
% JP Logistics Pte Limited	Singapore	–	100.0	Providing logistics services
* Seaport Worldwide Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding and property development
SPT Services Sdn. Bhd.	Malaysia	100.0	–	Operation, management and maintenance of a terminal and any business related thereto
<u>Subsidiaries of MMC Engineering Group Berhad</u>				
MMC Engineering & Construction Sdn. Bhd.	Malaysia	100.0	100.0	Civil engineering construction works
MMC Engineering Services Sdn. Bhd.	Malaysia	100.0	100.0	Specialised engineering and construction works
MMC-GTM Bina Sama Sdn. Berhad	Malaysia	100.0	100.0	Property developer, civil engineering and construction works
MMC Technical Services Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding company and to provide professional services to the oil and gas and resources industries
<u>Subsidiaries of MMC Port Holdings Sdn. Bhd.</u>				
NCB Holdings Bhd.	Malaysia	99.1	99.1	Investment holding and provision of management services to its subsidiaries
* Tanjung Bruas Port Sdn. Bhd. (formerly known as KMB Seaport Sdn. Bhd.)	Malaysia	70.0	–	Port operations
<u>Subsidiary of MMC Technical Services Sdn. Bhd.</u>				
MMC Oil & Gas Engineering Sdn. Bhd.	Malaysia	100.0	100.0	Provision of professional engineering services to the oil and gas industry
<u>Subsidiary of MMC Tepat Teknik Sdn. Bhd.</u>				
MMC Tepat Teknik (Kejuruteraan) Sdn. Bhd.	Malaysia	100.0	100.0	Manufacturing and contracting works in the engineering related fields

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

Subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2017 %	2016 %	
<u>Subsidiaries of MMC International Holdings Limited</u>				
# City Island Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
* MMC Saudi Arabia Limited	Kingdom of Saudi Arabia	100.0	100.0	Investment holding
# MMC Saudi Holdings Limited	British Virgin Islands	100.0	100.0	Investment holding
# MMC Utilities Limited	British Virgin Islands	100.0	100.0	Investment holding provision of and project management services
# MMC Ports Limited	British Virgin Islands	100.0	100.0	Investment holding
<u>Subsidiary of MMC Land Sdn. Bhd.</u>				
* Northern Technocity Sdn. Bhd.	Malaysia	100.0	100.0	Property developer
<u>Subsidiary of Pelabuhan Tanjung Pelepas Sdn. Bhd.</u>				
^ Pelepas Terminal Inland Services Sdn. Bhd.	Malaysia	49.0	49.0	To repair, prepare and trade of containers and to deal in all kinds and descriptions of containers and containerisation systems and other related services
<u>Subsidiaries of Senai Airport Terminal Services Sdn. Bhd.</u>				
* Senai Airport City Services Sdn. Bhd.	Malaysia	100.0	100.0	Provides management services for Senai Airport City development area and acting as Free Zone Authority manager
* Senai Airport City Sdn. Bhd.	Malaysia	100.0	100.0	Property owner and developer
<u>Subsidiaries of NCB Holdings Bhd.</u>				
Kontena Nasional Berhad	Malaysia	99.1	99.1	Haulage of containers, warehousing and provision of freight forwarding services
Kontena Nasional Global Logistics Sdn. Bhd.	Malaysia	99.1	99.1	Provision of freight forwarding services
Northport (Malaysia) Bhd.	Malaysia	99.1	99.1	Management of port activities which comprises services rendered to ships, cargo and container handling, rental of port premises, dockyard operations and other ancillary services
Northport Distripark Sdn. Bhd.	Malaysia	99.1	99.1	Management of a distribution centre with warehousing, storage and other associated facilities to support trading activities through Port Klang

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

Inactive subsidiaries

Name of company	Country of incorporation	Group's effective interest	
		2017 %	2016 %
Bidor Malaya Tin Sdn. Bhd.	Malaysia	100.0	100.0
Kramat Tin Dredging Berhad	Malaysia	52.9	52.9
* MMC EG Co. Ltd	Mongolia	90.0	90.0
@ MMC Rail Ventures Sdn. Bhd. (under striking off)	Malaysia	—	100.0
MMC Logistics Holdings Sdn. Bhd. (formerly known as MMC Sdn. Bhd.)	Malaysia	100.0	100.0
MMC Transport Engineering Sdn. Bhd.	Malaysia	100.0	100.0
MMC Utilities Berhad	Malaysia	100.0	100.0
@ MMC Utilities Holdings Sdn. Bhd. (under striking off)	Malaysia	—	100.0
\$ MMC Zelan Sdn. Bhd. (under members' voluntary liquidation)	Malaysia	—	60.0
Projek Lebuhraya Timur Sdn. Bhd.	Malaysia	100.0	100.0
Southern Kinta Consolidated (M) Berhad	Malaysia	100.0	100.0
Southern Malayan Tin Dredging (M) Berhad	Malaysia	100.0	100.0
<u>Subsidiaries of Aliran Ihsan Resources Berhad</u>			
Aliran Jebat Sdn. Bhd.	Malaysia	80.0	80.0
Southern Water Corporation Sdn. Bhd.	Malaysia	100.0	100.0
Southern Water Engineering Sdn. Bhd.	Malaysia	100.0	100.0
Southern Water Technology Sdn. Bhd. (under creditors' winding up)	Malaysia	—	100.0
<u>Subsidiaries of Anglo-Oriental (Annuities) Sdn. Bhd.</u>			
* Anglo-Oriental do Brasil Ltd	Brazil	100.0	100.0
Dana Vision Sdn. Bhd.	Malaysia	100.0	100.0
* MMC Exploration & Production (Thailand) Pte Ltd (under liquidation)	Thailand	—	100.0
<u>Subsidiaries of Anglo-Oriental (Malaya) Sdn. Bhd.</u>			
* Anglo-Oriental Malaya Trustees Sdn. Bhd. (under members' voluntary liquidation)	Malaysia	—	100.0
MMC Frigstad Offshore Sdn. Bhd.	Malaysia	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS
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38 COMPANIES IN THE GROUP (CONTINUED)

Inactive subsidiaries (continued)

Name of company	Country of incorporation	Group's effective interest	
		2017 %	2016 %
<u>Subsidiary of MMC Utilities Limited</u>			
* MMC Overseas Pte. Limited	Labuan, Malaysia	100.0	100.0
<u>Subsidiaries of MMC Tepat Teknik Sdn. Bhd.</u>			
MMC Tepat Teknik (Sarawak) Sdn. Bhd.	Malaysia	100.0	100.0
# Tepat Teknik (Labuan) Limited	Labuan, Malaysia	100.0	100.0
Tepat Teknik-VME Sdn. Bhd.	Malaysia	50.0	50.0
<u>Subsidiaries of NCB Holdings Bhd.</u>			
Klang Port Management Sdn. Bhd.	Malaysia	99.1	99.1
KN Global Transport Sdn. Bhd.	Malaysia	99.1	99.1
KN Loginfra Sdn. Bhd.	Malaysia	99.1	99.1
KN Maritime Services Sdn. Bhd.	Malaysia	99.1	99.1
Konnas Prolink Sendirian Berhad	Malaysia	99.1	99.1
<u>Subsidiaries of Senai Airport Terminal Services Sdn. Bhd.</u>			
* Aturan Jernih Sdn. Bhd.	Malaysia	100.0	100.0
* Senai Airport Sdn. Bhd.	Malaysia	100.0	100.0
* SPJ Corporation Berhad	Malaysia	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

Associates

Name of company	Country of incorporation	Group's effective interest		Accounting date for inclusion of company results	Principal activities
		2017 %	2016 %		
⁺⁺ Gas Malaysia Berhad	Malaysia	30.9	30.9	31.12.2017	Selling, marketing and promotion of natural gas to the industrial, commercial and residential sectors as well as construct and operate the Natural Gas Distribution System in Peninsular Malaysia
⁺⁺ Malakoff Corporation Berhad	Malaysia	37.6	37.6	31.12.2017	Investment holding
[*] ⁺⁺ Zelan Berhad	Malaysia	39.2	39.2	31.12.2017	Investment holding, civil engineering and construction of power plant and buildings
<u>Associates of MMC International Holdings Limited</u>					
[*] Jazan Economic City Land Company Limited	Kingdom of Saudi Arabia	24.0	24.0	31.12.2017	Development of Jazan Economic City in the Kingdom of Saudi Arabia
[*] Red Sea Gateway Terminal Company Limited	Kingdom of Saudi Arabia	20.0	20.0	31.12.2017	Operation and maintenance of container terminals
[*] Red Sea Ports Development Company Limited	Kingdom of Saudi Arabia	20.0	20.0	31.12.2017	Operation and maintenance of container terminals
<u>Associate of NCB Holdings Bhd.</u>					
[*] P.T. Ritra Konnas Freight Centre	Indonesia	33.0	33.0	31.12.2017	Container depot operations

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

Inactive associates

Name of company	Country of incorporation	Group's effective interest	
		2017 %	2016 %
* Konsortium Bernas MMC SPPM Sdn. Bhd.	Malaysia	10.0	10.0
<u>Associate of MMC Marketing Sdn. Bhd.</u>			
* Ajil Minerals Sdn. Bhd.	Malaysia	49.0	49.0
<u>Associate of MMC Tepat Teknik Sdn. Bhd.</u>			
* OP Biomass Technologies Sdn. Bhd. (under members' voluntary liquidation)	Malaysia	–	23.0

Joint arrangements

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2017 %	2016 %	
<u>Joint ventures</u>				
* Projek Smart Holdings Sdn. Bhd.	Malaysia	50.0	50.0	Investment holding
* Syarikat Mengurus Air Banjir dan Terowong Sdn. Bhd.	Malaysia	50.0	50.0	Undertakes the Stormwater Management and Road Tunnel project
* MMC-Gamuda Joint Venture Sdn. Bhd.	Malaysia	50.0	50.0	Design, construction, testing, commissioning and maintenance of the Electrified Double Tracking Project
* MMC Gamuda KVMRT (PDP) Sdn. Bhd.	Malaysia	50.0	50.0	Undertake, construct, maintain, improve, develop, implement, control, execute and manage any Mass Rapid Transit project in Malaysia or elsewhere
* MMC Gamuda KVMRT (T) Sdn. Bhd.	Malaysia	50.0	50.0	Design, construction, testing and commissioning of the Klang Valley Mass Rapid Project Underground Works (tunnels, stations and associated structures)
* MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd.	Malaysia	50.0	50.0	Undertake, construct, maintain, improve, develop, implement, control, execute and manage any Mass Rapid Transit project in Malaysia or elsewhere
* Salcon MMCB AZSB JV Sdn. Bhd.	Malaysia	34.0	34.0	Process engineering, construction and operation for clean water and waste/ water treatment plants and pipe network and related mechanical, electrical and instrumentation work

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

Joint arrangements (continued)

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2017 %	2016 %	
<u>Joint ventures</u> (continued)				
* KTMB MMC Cargo Sdn. Bhd.	Malaysia	49.0	49.0	Rail freight transport and related businesses in the rail cargo sector
* UEM MMC Joint Venture Sdn. Bhd.	Malaysia	50.0	50.0	Investment holding
<u>Joint Ventures of MMC Engineering Group Berhad</u>				
* Salcon MMCES AZSB JV Sdn. Bhd.	Malaysia	50.0	50.0	Process engineering, construction and operation for clean water and waste/ water treatment plants and pipe network and related mechanical, electrical and instrumentation work
* MMCE-Franky Consortium Joint Venture	Malaysia	60.0	60.0	Construction and completion of Kuantan-Kertih Railway Project Civil Works Package 2
<u>Joint Ventures of Johor Port Berhad</u>				
* KOTUG Asia Sdn. Bhd.	Malaysia	–	51.0	Providing tug boats and maritime crafts services
Cranetech Global Sdn. Bhd.	Malaysia	50.0	50.0	Providing maintenance service for all types and makes of industrial crane, hoist, machine tools and port equipment
<u>Joint Venture of MMC Port Holdings Sdn. Bhd.</u>				
Penang Port Sdn. Bhd.	Malaysia	49.0	–	Operating, maintaining, managing and the provision of port facilities and other related services
<u>Joint operations</u>				
* MMC-Gamuda Joint Venture	Malaysia	50.0	50.0	Design, engineering, procurement, construction, installation, testing and commissioning of Stormwater Management and Road Tunnel project
* MMC-Gamuda Joint Venture (2T)	Malaysia	50.0	50.0	Construction, completion, testing, commissioning and maintenance of the Infrastructure works comprising packages N1 to N6 including maintenance works for N7 and N8 of the Electrified Double Tracking Project ("EDTP") between Ipoh and Padang Besar
* MMC Gamuda KVMRT (UGW) Joint Venture	Malaysia	50.0	50.0	Execution of the tunnelling, underground works and such other works in relation to the underground works package for the Klang Valley Mass Rapid Transit Project

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38 COMPANIES IN THE GROUP (CONTINUED)

The keys to the symbols used are as follows:

- * Audited by firms other than PricewaterhouseCoopers PLT.
- ++ Quoted companies
- # No legal requirement to appoint auditors
- ^ De facto controlled subsidiaries
- % On 22 June 2017, JP Logistics Pte. Ltd., a wholly-owned subsidiary of JP Logistics Sdn. Bhd. ("JPL"), has been struck off from the Register of Accounting and Corporate Regulatory Authority, Singapore ("ACRA"). JPL is a wholly-owned subsidiary of Johor Port Berhad, which in turn is a wholly-owned subsidiary of MMC Corporation Bhd ("MMC"). The Striking Off does not have any material impact on the earnings, net assets and gearing of MMC Group.
- @ On 11 January 2018, MMC Utilities Holdings Sdn Bhd and MMC Rail Ventures Sdn Bhd, wholly-owned dormant subsidiaries of MMC, have submitted their applications to the Companies Commission of Malaysia ("CCM") to strike off their names from the register of CCM pursuant to Section 550 of the Companies Act 2016 ("Proposed Striking Off"). The Proposed Striking Off is not expected to have any significant financial and operational impact on MMC Group for the financial year ending 31 December 2018.
- \$ On 16 January 2018, MMC Zelan Sdn Bhd ("MMCZ"), a 60%-owned subsidiary of MMC, has passed a special resolution to wind-up MMCZ vide members' voluntary liquidation pursuant to Section 439(1) (b) of the Companies Act 2016 ("Liquidation"). The Liquidation will not have any material effect on the earnings, net assets and gearing of MMC Group for the financial year ending 31 December 2018.
- & Subsequent to the reporting date, Zelan Berhad ceased to be an associate of the Group as the Group no longer has significant influence over the company. The Group had reclassified the investment in Zelan Berhad as an Available-for-sale financial asset with effect from 9 March 2018.

39 SIGNIFICANT EVENTS

(a) Acquisition of Subsidiaries

2017

- (i) On 31 March 2017, Johor Port Berhad ("JPB"), a wholly-owned subsidiary of MMC acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid capital of SPT Services Sdn. Bhd. ("SPT"), for a total cash consideration of RM2.00. SPT intended business activity is the provision of port operations and management services.
- (ii) On 3 April 2017, MMC Port Holdings Sdn. Bhd., a wholly-owned subsidiary of the Company, had entered into a conditional Share Sale and Purchase Agreement ("SPA") with Seaport Terminal (Johore) Sdn. Bhd. to acquire the remaining 37,459,501 ordinary shares of RM1.00 each representing 51.0% ordinary equity interest in Penang Port Sdn. Bhd. for a cash consideration of RM220.0 million, subject to the terms and conditions contained in the SPA. The transaction is pending completion.
- (iii) On 4 October 2017, MMC had completed the acquisition of 7,000 Ordinary Shares representing 70.0% ordinary equity interest and 4,990,000 Irredeemable Convertible Cumulative Preference Shares ("ICCPS"), in Tanjung Bruas Port Sdn. Bhd. (formerly known as KMB Seaport Sdn. Bhd.) from Seaport Management Services Sdn Bhd for a cash consideration of RM21.0 million. MMC had on even date nominated MMC Port Holdings Sdn Bhd ("MMC Port"), its wholly-owned subsidiary, as the transferee to hold the 7,000 Ordinary Shares and 4,990,000 ICCPS.

As at reporting date, the Purchase Price Allocation exercise in respect of the acquisition has been finalised. In the 3 months to 31 December 2017, TBP contributed revenue of RM3,709,000 and profit of RM948,000. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit would have been increased by RM10,540,000 and RM3,108,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 SIGNIFICANT EVENTS (CONTINUED)

(a) Acquisition of Subsidiaries (continued)

2017 (continued)

The following summarises the amounts of assets and liabilities recognised at the acquisition date:

	Book Value RM'000	Fair Value RM'000
Receivables	2,609	2,609
Intangible assets (Note 20)	5,130	33,610
Cash and bank	4,187	4,187
Payables	(3,591)	(3,591)
Deferred taxation	–	(6,815)
Total identifiable net assets	8,335	30,000
Non-controlling interests		(9,000)
Cash consideration paid		21,000
Net cash outflow arising from acquisition of subsidiaries:		
Cash consideration paid		21,000
Less: Cash and cash equivalent of subsidiary acquired		(4,187)
Net cash outflow to the Group on acquisition		16,813

2016

- (i) On 28 January 2016, MMC acquired two ordinary shares of RM1.00 each, representing the entire issued and paid capital of MMC Land Sdn. Bhd. ("MMC Land"), for a total cash consideration of RM2.00. MMC Land operates principally as an investment holding company.
- (ii) On 28 January 2016, MMC through its newly incorporated wholly-owned subsidiary, MMC Land acquired two (2) ordinary shares of RM1.00 each, representing the entire issued and paid up capital of Northern Technocity Sdn. Bhd. ("NTSB") for a total cash consideration of RM2.00. NTSB shall operate as a property development company.
- (iii) On 4 February 2016, MMC through its wholly-owned subsidiary, MMC Utilities Limited acquired 90 ordinary shares of USD1.00 each, representing 90% issued and paid up capital of MMC Overseas Pte. Ltd. ("MMC Overseas"), an investment holding company incorporated under the Labuan Companies Act 1990, for a total cash consideration of USD90.00. With the acquisition, MMC Overseas becomes a wholly-owned subsidiary of the Group.
- (iv) On 25 March 2016, MMC Engineering Group Berhad ("MMCEG"), a wholly-owned subsidiary of MMC acquired additional shares in MMC Tepat Teknik Sdn. Bhd. ("TTSB") of 1,992,450 ordinary shares of RM1.00 each, representing 30.0% of the issued and paid-up share capital of TTSB. With the acquisition, TTSB became a wholly-owned subsidiary of the Group.
- (v) In 2016, MMC Port Holdings Sdn. Bhd., pursuant to proposed MGO of the remaining NCB shares, had acquired additional shares of 58,176,784 ordinary shares or 12.37% equity interest in NCB for a total cash consideration of RM256.0 million, resulting in a further increase of MMC's effective interest in NCB to 99.09% as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39 SIGNIFICANT EVENTS (CONTINUED)

(b) Acquisition of a Joint Venture

2017

On 27 March 2017, MMC Port Holdings Sdn. Bhd. ("MMC Port"), the nominated wholly-owned subsidiary of MMC, completed the acquisition of 35,990,501 ordinary shares of RM1.00 each, representing 49.0% ordinary equity interest in Penang Port Sdn. Bhd. ("PPSB") from Seaport Terminal (Johore) Sdn Bhd for a cash consideration of RM200.0 million. With the acquisition, PPSP has become a jointly-controlled entity of MMC Port.

As at reporting date, the Purchase Price Allocation exercise in respect of the acquisition has been finalised. In the 9 months to 31 December 2017, PPSP contributed profit of RM20,341,000. If the acquisition had occurred on 1 January 2017, management estimates that consolidated profit would have been RM31,150,000.

The following summarizes the amounts of assets and liabilities recognised at the acquisition date:

	Book Value RM'000	Fair Value RM'000
Property, plant and equipment	1,408,520	1,469,258
Deposits, cash and bank	141,591	141,591
Deferred tax assets	112,156	112,156
Other tangible assets	70,819	70,819
Intangible assets	16,317	31,908
Borrowings	(1,057,543)	(1,057,543)
Provision for retirement benefits	(114,395)	(114,395)
Other liabilities	(117,864)	(155,437)
Total identifiable net assets	459,601	498,357
Cash consideration paid during the financial year		180,000
Deposit paid in prior financial year		20,000
Total cash consideration paid		200,000
Less: Share of 49% fair value of identifiable net assets		(244,195)
Negative goodwill		(44,195)

The negative goodwill is included in share of results of joint ventures in the profit or loss. Refer to Note 16 of the financial statements.

(c) Disposal of a Joint Venture

2017

On 13 July 2017, KOTUG Asia Sdn Bhd ("KOTUG Asia") has ceased to be a 51% jointly-controlled entity of Johor Port Berhad ("JPB"), which in turn is a wholly-owned subsidiary of MMC, following the completion of JPB's disposal of its 5,100,000 equity interest in KOTUG Asia to KOTUG Malaysia Sdn Bhd ("KOTUG Malaysia") for a cash consideration of RM4.1 million. The disposal resulted in a gain of RM159,279 to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FINANCIAL INSTRUMENTS

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments; and
- Valuation based on market comparable approaches by qualified professional valuers.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group has no financial instrument included in Level 3.

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- a) Loans and receivables (L&R)
- b) Financial liabilities measured at amortised cost (FL)
- c) Fair value through profit or loss (FVTPL)
- d) AFS – Available for sale

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

The table below provides an analysis of financial instruments categorised as follows: (continued)

Group	Carrying amount RM'000	L&R/ FL RM'000	FVTPL RM'000	AFS RM'000
2017				
<u>Financial assets</u>				
Trade and other receivables	2,466,008	2,466,008	–	–
Derivative financial assets	3,868	–	3,868	–
Available-for-sale financial assets	3,088	–	–	3,088
Cash and bank balances	1,005,525	1,005,525	–	–
	3,478,489	3,471,533	3,868	3,088
<u>Financial liabilities</u>				
Borrowings	(8,824,924)	(8,824,924)	–	–
Trade and other payables	(2,319,594)	(2,319,594)	–	–
Redeemable preference shares	(50,023)	(50,023)	–	–
Derivative financial liabilities	(8,140)	–	(8,140)	–
	(11,202,681)	(11,194,541)	(8,140)	–
2016				
<u>Financial assets</u>				
Trade and other receivables	2,361,204	2,361,204	–	–
Derivative financial assets	21,241	–	21,241	–
Available-for-sale financial assets	80,994	–	–	80,994
Cash and bank balances	1,224,409	1,224,409	–	–
	3,687,848	3,585,613	21,241	80,994
<u>Financial liabilities</u>				
Borrowings	(9,046,323)	(9,046,323)	–	–
Trade and other payables	(1,989,940)	(1,989,940)	–	–
Redeemable preference shares	(70,188)	(70,188)	–	–
Derivative financial liabilities	(15)	–	(15)	–
	(11,106,466)	(11,106,451)	(15)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

The table below provides an analysis of financial instruments categorised as follows: (continued)

Company	Carrying amount RM'000	L&R/ FL RM'000	FVTPL RM'000
2017			
<u>Financial assets</u>			
Trade and other receivables	1,026,681	1,026,681	–
Derivative financial assets	3,868	–	3,868
Cash and bank balances	177,915	177,915	–
	1,208,464	1,204,596	3,868
<u>Financial liabilities</u>			
Borrowings	(3,198,879)	(3,198,879)	–
Trade and other payables	(970,814)	(970,814)	–
Amounts due to subsidiaries	(78,908)	(78,908)	–
	(4,248,601)	(4,248,601)	–
2016			
<u>Financial assets</u>			
Trade and other receivables	921,373	921,373	–
Derivative financial assets	5,526	–	5,526
Cash and bank balances	247,717	247,717	–
	1,174,616	1,169,090	5,526
<u>Financial liabilities</u>			
Borrowings	(3,195,557)	(3,195,557)	–
Trade and other payables	(742,695)	(742,695)	–
Amounts due to subsidiaries	(276,005)	(276,005)	–
	(4,214,257)	(4,214,257)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information

Except as disclosed below, the carrying amounts of the Group's and Company's financial assets and financial liabilities approximate their fair values due to the relatively short term nature and frequent repricing of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2017											
Fair value of financial instruments carried at fair value in the financial statements					Fair value of financial instruments not carried at fair value in the financial statements				Total fair value RM'000	Carrying amount RM'000	
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
<u>Group</u>											
<u>Financial assets</u>											
Derivative financial assets:											
Warrants	3,868	–	–	3,868	–	–	–	–	3,868	3,868	
Available-for-sale financial assets	3,088	–	–	3,088	–	–	–	–	3,088	3,088	
Trade and other receivables (non-current)	–	–	–	–	–	313,120	–	313,120	313,120	313,120	
	6,956	–	–	6,956	–	313,120	–	313,120	320,076	320,076	
<u>Financial liabilities</u>											
Derivative financial liabilities:											
Forward foreign exchange	–	(8,140)	–	(8,140)	–	–	–	–	(8,140)	(8,140)	
Redeemable preference shares	–	–	–	–	–	(50,023)	–	(50,023)	(50,023)	(50,023)	
Borrowings	–	–	–	–	–	(8,839,503)	–	(8,839,503)	(8,839,503)	(8,824,924)	
Trade and other payables (non-current)	–	–	–	–	–	(31,536)	–	(31,536)	(31,536)	(31,536)	
	–	(8,140)	–	(8,140)	–	(8,921,062)	–	(8,921,062)	(8,929,202)	(8,914,623)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FINANCIAL INSTRUMENTS (CONTINUED)

[Fair value information](#) (continued)

2016														
Fair value of financial instruments carried at fair value in the financial statements					Fair value of financial instruments not carried at fair value in the financial statements				Total fair value RM'000	Carrying amount RM'000				
Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000							
<u>Group</u>														
<u>Financial assets</u>														
Derivative financial assets:														
Forward foreign exchange					-	15,715	-	15,715	-	-	15,715	15,715		
Warrants					5,526	-	-	5,526	-	-	5,526	5,526		
Available-for-sale financial assets					80,994	-	-	80,994	-	-	80,994	80,994		
Trade and other receivables (non-current)					-	-	-	-	-	109,362	109,362	109,362		
					86,520	15,715	-	102,235	-	109,362	-	109,362	211,597	211,597
<u>Financial liabilities</u>														
Redeemable preference shares					-	-	-	-	-	(59,648)	-	(59,648)	(59,648)	(70,188)
Borrowings					-	-	-	-	-	(9,025,457)	-	(9,025,457)	(9,025,457)	(9,046,323)
Trade and other payables (non-current)					-	-	-	-	-	(42,534)	-	(42,534)	(42,534)	(42,534)
					-	-	-	-	-	(9,127,639)	-	(9,127,639)	(9,127,639)	(9,159,045)
2017														
Fair value of financial instruments carried at fair value in the financial statements					Fair value of financial instruments not carried at fair value in the financial statements				Total fair value RM'000	Carrying amount RM'000				
Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000							
<u>Company</u>														
<u>Financial assets</u>														
Warrants					3,868	-	-	3,868	-	-	-	3,868	3,868	
Trade and other receivables (non-current)					-	-	-	-	-	61,486	-	61,486	61,486	61,486
					3,868	-	-	3,868	-	61,486	-	61,486	65,354	65,354
<u>Financial liabilities</u>														
Borrowings					-	-	-	-	-	(3,210,585)	-	(3,210,585)	(3,210,585)	(3,198,879)
Trade and other payables (non-current)					-	-	-	-	-	(21,800)	-	(21,800)	(21,800)	(21,800)
					-	-	-	-	-	(3,232,385)	-	(3,232,385)	(3,232,385)	(3,220,679)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

2016										
Fair value of financial instruments carried at fair value in the financial statements					Fair value of financial instruments not carried at fair value in the financial statements				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
<u>Company</u>										
<u>Financial assets</u>										
Warrants	5,526	–	–	5,526	–	–	–	–	5,526	5,526
Trade and other receivables (non-current)	–	–	–	–	–	9,920	–	9,920	9,920	9,920
	5,526	–	–	5,526	–	9,920	–	9,920	15,446	15,446
<u>Financial liabilities</u>										
Borrowings	–	–	–	–	–	(3,207,297)	–	(3,207,297)	(3,207,297)	(3,195,557)
Trade and other payables (non-current)	–	–	–	–	–	(28,764)	–	(28,764)	(28,764)	(28,764)
	–	–	–	–	–	(3,236,061)	–	(3,236,061)	(3,236,061)	(3,224,321)

41 COMPARATIVE

Reclassification of Property, plant and equipment ("PPE") to investment properties

During the financial year, the classification of certain items within PPE, including underlying development expenditure were reassessed. Arising from the re-assessment, certain freehold and long leasehold land including underlying development cost incurred previously classified under PPE is now reclassified to Investment Properties to better reflect the nature and use of the said assets.

The following table discloses the impact arising from the comparative reclassification above:

Impact on the Group's statement of financial position as at 31 December 2016:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
<u>Property, plant and equipment:</u>			
Cost	11,250,172	(1,293,736)	9,956,436
Accumulated depreciation	(2,992,586)	65,332	(2,927,254)
Net book value	8,239,455	(1,228,404)	7,011,050
Depreciation	(422,306)	5,430	(416,876)
<u>Investment properties:</u>			
Cost	37,367	1,293,736	1,331,103
Accumulated depreciation	(6,615)	(65,332)	(71,947)
Net book value	29,864	1,228,404	1,258,268
Depreciation	(751)	(5,430)	(6,181)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

41 COMPARATIVE (CONTINUED)

The following table discloses the impact arising from the comparative reclassification above: (continued)

Impact on the Group's statement of financial position as at 1 January 2016:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Property, plant and equipment:			
Cost	11,038,304	(1,223,453)	9,814,851
Accumulated depreciation	(2,666,259)	60,000	(2,606,259)
Net book value	8,353,914	(1,163,453)	7,190,461
Investment properties:			
Cost	37,367	1,223,453	1,260,820
Accumulated depreciation	(5,864)	(60,000)	(65,864)
Net book value	30,615	1,163,453	1,194,068

LIST OF PROPERTIES

Pursuant to Appendix 9C Part A (25) of the Listing Requirements of Bursa Malaysia Securities Berhad

Location	Tenure	Area (hectares)	Description / existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
PTD No. 2423 Tanjung Kupang District of Johor Bahru Johor	Leasehold	349.04	Port terminal, office buildings, commercial & industrial land	2055))))	2,076,092	18	1995
PTD Nos. 2424-2426 PTD Nos. 2427-2455 PTD Nos. 2458-2504 PTD Nos. 2514, 2516, 2517 2520, 2521, Tanjung Kupang District of Johor Bahru Johor	Leasehold	724.80	Commercial & industrial land	2055)))))))		–	1995
PTD No. 1586, Serkat District of Pontian Johor	Grant in perpetuity	114.92	Land for port terminal & buildings	2055)))		–	1995
PTD No. 2519 Tanjung Kupang District of Johor Bahru Johor	Leasehold	0.22	Building	2055))))		–	1995
PTD 3161 Tanjung Kupang District of Johor Bahru Johor	Leasehold	2.79	Building	2107))))		–	2008
H.S. (D) 23569, PTD 8797 Mukim of Senai District of Kulaijaya Johor	Leasehold	488.53	Senai International Airport	2053	840,282	14	2003
PTD No. 1357, 2050 PTD Nos. 1836-1838 PTD Nos. 2149-2151 PTD Nos. 2053-2054 Lot 8252, H.S.(D) 68263 Serkat/Sg. Karang District of Pontian Johor	Leasehold	897.63	Industrial/ vacant	2103	454,206	11	2005
Plentong District of Johor Bahru Johor	Leasehold	112.1	Break bulk and dry bulk cargo berths 7-11	2052	40,206	20	1997
Plentong District of Johor Bahru Johor	Leasehold	13.44	Container terminal berths 1 – 3	2052	19,197	25	1992
Plentong District of Johor Bahru Johor	Leasehold	–	Dangerous cargo jetty 4	2052	28,114	18	1999
Plentong District of Johor Bahru Johor	Leasehold	–	Dangerous cargo jetty	2052	4,248	24	1992

LIST OF PROPERTIES

Location	Tenure	Area (hectares)	Description / existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
PLO 702, Zone 12C Pasir Gudang Industrial Area Johor	Leasehold	26.97	Industrial/ vacant	2073	42,888	4	2014
PLO 796, Zone 12C Pasir Gudang Industrial Area Johor	Leasehold	6.2	Industrial/ vacant	2073	12,690	4	2014
PLO 26 Tanjung Langsat Industrial Complex Johor	Leasehold	12.14	Industrial/ vacant	2045	48,257	2	2016
Lot Nos. 762 & 763 Setul, District of Seremban Negeri Sembilan	Leasehold	5.56	Factory building	2089	9,388	25	1992
Lot 190 GM 422 PTD Nos. 105141-105147 PTD Nos. 105180-105183 PTD Nos. 105194-105249 PTD No. 105258 PTD Nos. 105264-105267 PTD Nos. 105286-105288 PTD Nos. 105300-105366 PTD Nos. 105371-105579 PTD No. 108012 PTD Nos. 109446-109458 Mukim of Senai District of Kulajaya, Johor	Freehold	458.60	Land held for development of Senai Airport City)))))))))))))	1,357,23	–	2008
PTD No. 175304 PTD Nos. 175317-175318 PTD Nos. 175328, 175330 PTD Nos. 175349 –175352 PTD Nos. 195468, 195469 195470, 195471 Mukim of Tebrau District of Johor Bahru, Johor	Freehold	373.11	Land held for development of Senai Airport City))))))))	–	–	2008
Lot 2896, H.S.(D) 211709 Lot 3094, H.S.(D) 211710 Lot 3095, H.S.(D) 211711 Lot 3097, H.S.(D) 211712 Lot 3101, H.S.(D) 211713 Serkat, District of Pontian Johor	Freehold	96.17	Industrial/ vacant	–	254,949	–	2015
Berth 1 to 7A Southpoint, Port Klang	Leasehold	17.99	Berthing facilities for ship	2043	3,795	29 – 47	1992
Berth 8A North Port, Port Klang	Leasehold	9.75	Berthing facilities for ship	2043	244,520	4	2014
Berth 8, 9 and 10 North Port, Port Klang	Leasehold	18.5	Berthing facilities for ship	2043	133,349	44	1986

LIST OF PROPERTIES

Location	Tenure	Area (hectares)	Description / existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Berth 11 and Back-up Area North Port, Port Klang	Leasehold	13.9	Berthing facilities for ships and storage of containers	2043	2,864	48	1992
Berth 12 and 13 North Port, Port Klang	Leasehold	9.6	Berthing facilities for ships	2043	14,407	16	1992
Berth 14-25 North Port, Port Klang	Leasehold	66.31	Berthing facilities for ships	2043	39,776	34 – 53	1992
Container Terminal North Port, Port Klang	Leasehold	49.2	Storage of containers, warehouses and office buildings	2043	N/A	44	1986
Container Terminal North Port, Port Klang	Leasehold	N/A	Infrastructure, and warehouses	2043	144,627	45	1986
Dockyard Southpoint, Port Klang	Leasehold	3.28	Docking facilities	2043	N/A	47	1992
Port and Terminal Area	Leasehold	N/A	Infrastructure, power stations and warehouses	2043	47,383	19 – 25	1992
Warehouse D1 to D4 Jalan Parang North Port, Port Klang	Leasehold	2.6	Warehouses for cargo storage	2031	16,504	20 – 25	1995
HS(D) 24617 PT 11690 & HS(D) 31134 PT 13728 Jalan Parang North Port, Port Klang	Leasehold	13.7	Storage, open yard and undeveloped land	2031	9,718	20 – 25	1995
P.T. 1644 Lebuh Raja Lumu Kawasan Perindustrian Pandamaran 42000 Port Klang Selangor Darul Ehsan	Leasehold	129,692 sq.m.	Warehouse, office and container yard	2079	60,480	19	1983
Komplek KN Kawasan Perindustrian Selat Klang Utara 42000 Port Klang Selangor Darul Ehsan	Leasehold	40,431 sq.m.	Warehouse, office and container yard	2086	35,482	35	1978
Batu 9 Jalan Klang Lama 47300 Petaling Jaya Selangor Darul Ehsan	Leasehold	74,936 sq.m.	Warehouse, office and container yard	2103	145,815	28	1979

LIST OF PROPERTIES

Location	Tenure	Area (hectares)	Description / existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
2443 Lorong Perusahaan Satu, Kawasan Perindustrian Prai 13600 Prai Pulau Pinang	Leasehold	81,692 sq.m.	Warehouse and office	2041 – 2053	23,019	20 – 32	1981
Lot 126 Kawasan Perindustrian Gebeng, 26080 Kuantan Pahang Darul Makmur	Leasehold	175,791 sq.m.	Warehouse, office and container yard	2063	26,450	19	1993
PLO 282, Jalan Suasa Kawasan Perindustrian Pasir Gudang 81700 Pasir Gudang Johor Darul Takzim	Leasehold	57,986 sq.m.	Container yard	2046	13,725	N/A	1982
PLO 249 Jalan Tembaga Satu, Kawasan Perindustrian Pasir Gudang 81700 Pasir Gudang Johor Darul Takzim	Leasehold	140,866 sq.m.	Office and container yard	2045	23,748	10	1997
Geran 43498 Lot No 37465 HS(D) 13093 PT 223 Mukim Kapar, Klang Selangor Darul Ehsan	Freehold	178,580 sq.m.	Vacant land	N/A	94,912	N/A	2008
Geran 199919 Lot No 70008 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	25.66	Vacant land	N/A	41,370	N/A	2016
Geran 202073 Lot No 70029 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	6.77	Vacant land	N/A	10,915	N/A	2016
Geran 202074 Lot No 70030 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	6.28	Vacant land	N/A	10,138	N/A	2016
Geran 202075 Lot No 70552 Seksyen 39 Bandar Kulim Daerah Kulim Kedah	Freehold	9.73	Vacant land	N/A	15,687	N/A	2016
HS(D) 67877 PT 10847 Bandar Kulim Daerah Kulim Kedah	Freehold	6.28	Vacant land	N/A	10,135	N/A	2016

LIST OF PROPERTIES

Location	Tenure	Area (hectares)	Description / existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
HS(D) 67879 PT 10849 Bandar Kulim Daerah Kulim Kedah	Freehold	6.95	Vacant land	N/A	11,205	N/A	2016
HS(D) 67880 PT 10850 Bandar Kulim Daerah Kulim Kedah	Freehold	3.20	Vacant land	N/A	5,169	N/A	2016
HS(D) 67881 PT 10851 Bandar Kulim Daerah Kulim Kedah	Freehold	3.79	Vacant land	N/A	6,115	N/A	2016
HS(D) 67873 PT 10840 Bandar Kulim Daerah Kulim Kedah	Freehold	47.90	Vacant land	N/A	77,236	N/A	2016
HS(D) 67862 PT 10843 Bandar Kulim Daerah Kulim Kedah	Freehold	3.0	Vacant land	N/A	4,837	N/A	2016
HS(D) 67863 PT 10844 Bandar Kulim Daerah Kulim Kedah	Freehold	23.87	Vacant land	N/A	38,497	N/A	2016

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2018

The total number of issued shares of the Company stands at 3,045,058,552 Ordinary Shares, with voting right of one (1) vote per Ordinary Share.

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct	%	Indirect	%
Seaport Terminal (Johore) Sdn Bhd	1,576,108,840	51.76	–	–
Amanahraya Trustees Berhad – Amanah Saham Bumiputera	552,836,200	18.16	–	–
Lembaga Tabung Haji	231,569,700	7.60	–	–
Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	154,833,600	5.08	–	–
Indra Cita Sdn Bhd	–	–	*1,576,108,840	51.76
Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor	–	–	@1,576,108,840	51.76

Notes:

* deemed interested through Seaport Terminal (Johore) Sdn Bhd

@ deemed interested through Indra Cita Sdn Bhd

ANALYSIS BY SIZE OF SHAREHOLDING

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100 shares	554	6.80	8,587	0.00
100 – 1,000	1,275	15.64	886,289	0.03
1,001 – 10,000	4,688	57.52	21,356,975	0.70
10,001 – 100,000	1,365	16.75	40,594,300	1.33
100,001 to less than 5% of issued shares	264	3.24	466,864,061	15.33
5% and above of issued shares	4	0.05	2,515,348,340	82.60
TOTAL	8,150	100.00	3,045,058,552	100.00

DIRECTORS' INTEREST AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

None of the Directors has any direct or indirect interest in the Company or in a related corporation.

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

THIRTY LARGEST SHAREHOLDERS

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FORTY-SECOND ANNUAL GENERAL MEETING (42ND AGM) OF MMC CORPORATION BERHAD WILL BE HELD AT THE MAHKOTA II, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA ON MONDAY, 14 MAY 2018 AT 10.00 A.M. FOR THE PURPOSE OF CONSIDERING AND, IF THOUGHT FIT, PASSING THE FOLLOWING RESOLUTIONS:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Report and Auditors' Report thereon.
Please refer to Note A
2. To approve the declaration of a final single-tier dividend of 4.0 sen per share for the financial year ended 31 December 2017.
Resolution 1
3. To approve the payment of Directors' fees amounting to RM1,174,880.02 to the Non-Executive Directors (NEDs) of the Company for the financial year ended 31 December 2017.
Resolution 2
4. To approve the payment of Directors' fees up to an amount of RM1,938,000.00 to the NEDs of the Company for the period from 1 January 2018 until the conclusion of the next Annual General Meeting (AGM).
Resolution 3
5. To approve the benefits payable to the Directors of the Company up to an amount of RM3,258,490.00, for the period from 1 January 2018 until the conclusion of the next AGM.
Resolution 4
- 6a. To re-elect Tan Sri Dato' Seri Shamsul Azhar Abbas who retires by rotation in accordance with Article 78 of the Company's Constitution and who being eligible, offers himself for re-election.
Resolution 5
- 6b. Dato' Abdullah Mohd Yusof who retires in accordance with Article 78 of the Company's Constitution, has expressed his intention not to seek re-election. Hence, he will only retain office until the conclusion of the 42nd AGM.
7. To re-elect the following Directors who retire in accordance with Article 85 of the Company's Constitution and who being eligible, offer themselves for re-election:
 - (a) Dato' Ir. Jamaludin Osman Resolution 6
 - (b) Mr. Tee Beng Thong Resolution 7
8. To re-appoint Messrs. PricewaterhouseCoopers PLT (PwC), having consented to act as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Board of Directors to determine their remuneration.
Resolution 8

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions:

9. Continuing in office as Independent Non-Executive Director

"That authority be and is hereby given to Datuk Ooi Teik Huat who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company".

Resolution 9

10. Continuing in office as Independent Non-Executive Director

"That authority be and is hereby given to Dato' Abdul Hamid Sh Mohamed who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company".

Resolution 10

To consider and if thought fit, to pass the following Special Resolution:

11. Proposed Adoption of a new Constitution of the Company in place of the existing Constitution (Proposed Adoption)

"That approval be and is hereby given for the Company to adopt the new Constitution in the form and manner as set out in the Circular to Shareholders dated 20 April 2018, in place of the existing Constitution AND That the Board of Directors of the Company be and is hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing".

Resolution 11

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 42nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(a) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 7 May 2018. Only a depositor whose name appears on the Record of Depositors as at 7 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF BOOK CLOSURE AND NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT:

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of the final single-tier dividend of 4.0 sen per share for the financial year ended 31 December 2017 (Dividend) under Resolution 1 at the 42nd AGM of the Company, the Dividend will be paid to the shareholders on 5 July 2018. The entitlement date for the Dividend shall be on 20 June 2018.

A depositor shall qualify for dividend entitlement only in respect of:

- (a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 20 June 2018 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad (Bursa Malaysia Securities) on a cum entitlement basis according to the Rules of Bursa Malaysia Securities.

BY ORDER OF THE BOARD

Ahmad Aznan Mohd Nawawi
Sazlin Ayesha Abdul Samat
Company Secretaries

Kuala Lumpur
20 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies or attorney or other duly authorised representative to attend and vote instead of him/her. A member of the Company may appoint up to two (2) proxies to attend the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
2. In the case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company, and a member may appoint any person to be his/her proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. In the case of joint holders, the signature of any one of them will suffice.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.
6. The proxy form, to be valid, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for the meeting or any adjournment thereof.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of AGM will be put to the vote by poll.

Registration of Members/Proxies

Registration of members/proxies attending the meeting will commence at 8.00 a.m. on the day of the meeting and shall remain open until such time as may be determined by the Chairman of the meeting. Members/proxies are required to produce identification documents for registration.

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

Note A

This Agenda item is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require the formal approval of shareholders, and hence, the matter will not be put forward for voting.

Directors' Remuneration

Section 230(1) of the Companies Act 2016 stipulates among others, that the fees and benefits payable to the Directors of listed companies and its subsidiaries shall be approved at a general meeting. In this respect, the Board of Directors of the Company (the Board) had agreed that the shareholders' approval shall be sought at the Company's 42nd AGM on the Directors' remuneration in three (3) separate resolutions as follows:

- (a) [Resolution 2](#) on payment of Directors' fees in respect of Financial Year 2017;
- (b) [Resolution 3](#) on payment of Directors' fees for the period from 1 January 2018 until the conclusion of the next AGM; and
- (c) [Resolution 4](#) on benefits payable to the Directors for the period from 1 January 2018 until the conclusion of the next AGM.

The remuneration policy for the NEDs of the Company is as depicted below:

Description	NEDS		
	Group Chairman	Chairman	Members
Board Fees (per month)	RM50,000	–	RM8,000
Fixed Allowance (per month)			
• Audit Committee	–	RM4,000	RM2,000
• Nomination and Remuneration Committee	–	–	RM1,000
• Finance, Investment and Risk Committee	–	RM1,000	RM1,000
Meeting Allowance (per meeting)			
• Board	RM2,500	–	RM2,500
• Audit Committee	–	RM2,500	RM2,500
• Nomination and Remuneration Committee	RM2,000	–	RM2,000
• Finance, Investment and Risk Committee	–	RM2,000	RM2,000
Benefits (per annum)			
• Annual Leave Passage	RM30,000	–	RM30,000
• Token of Appreciation	RM5,000	–	RM5,000

Payment of remuneration payable to the Directors will be made on a monthly basis and/or as and when incurred, if the proposed Resolutions 3 and 4 are passed and approved at the Company's 42nd AGM. The Board is of the view that it is just and equitable for the Directors to be paid the remuneration on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to MMC Group throughout the period.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 3 – Payment of Directors' fees to the NEDs for the period from 1 January 2018 until the conclusion of the next AGM

The total amount of Directors' fees payable to the NEDs is estimated to be up to RM1,938,000.00 for the period from 1 January 2018 until the conclusion of the next AGM.

Resolution 4 – Approval on benefits payable to the Directors for the period from 1 January 2018 until the conclusion of the next AGM

The benefits payable to the Directors consists of meeting allowances, Committees' fixed allowance and benefits. The total amount of benefits payable to the Directors is estimated to be up to RM3,258,490.00 for the period from 1 January 2018 until the conclusion of the next AGM, taking into account various factors, among others, the number of scheduled and special meetings for the Board and Board Committees, Board of Subsidiaries, the number of Directors involved in these meetings, etc.

Resolutions 5, 6 and 7 – Proposed Re-election of Directors

In determining the eligibility of the Directors to stand for re-election at the 42nd AGM, the Board and the Board Nomination and Remuneration Committee have considered the performance and contribution of each Director based on the Board of Directors' Annual Assessment Exercise.

Based on the assessment conducted for the Financial Year 2017, all the affected Directors met the performance criteria required for an effective and high performance Board. As such, the Board recommended for the affected Directors to be re-elected on the Board of the Company.

Resolution 8 – Re-appointment of Auditors

The Board and the Board Audit Committee has assessed the performance of Messrs. PricewaterhouseCoopers PLT (PwC) and is satisfied with the quality of service rendered and the competency and sufficiency of resources provided to the Company. The Board at its meeting held on 9 March 2018 agreed to recommend to the shareholders of the Company to approve the re-appointment of PwC as the Company's External Auditors for 2018.

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

Resolutions 9 and 10 – Continuation in office as Independent Non-Executive Director

Malaysian Code on Corporate Governance 2017 recommends that shareholders' approval be sought in the event that the Company intends to retain an Independent Non-Executive Director who has served in that capacity for more than nine (9) years.

In relation, thereto, the Board, through the Board Nomination and Remuneration Committee, has assessed the independence of Datuk Ooi Teik Huat and Dato' Abdul Hamid Sh Mohamed who have served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years.

The Board recommends that Datuk Ooi Teik Huat and Dato' Abdul Hamid Sh Mohamed continue to act as Independent Non-Executive Directors of the Company for the following reasons:

- (a) They fulfill the criteria as Independent Non-Executive Director as defined in the Listing Requirements, and therefore are able to bring independent and objective judgment to the Board;
- (b) Their immense experience in their respective fields/background enable them to provide the Board with a diverse set of experience, expertise, skills and competence;
- (c) They understand the Company's business operations which allow them to participate actively and contribute during deliberations or discussions at the Committee and Board meetings;
- (d) They devote sufficient time and effort and attends all the Board and Committee meetings, for informed and balanced decision making; and
- (e) They exercise due care as Independent Non-Executive Director of the Company and carry out their professional and fiduciary duties in the interest of the Company and shareholders.

Resolution 11 – Proposed Adoption of a new Constitution of the Company

The Proposed Adoption is to be in line with the Companies Act 2016, the updated provisions of the Listing Requirements and other prevailing statutory and regulatory requirements.

The new Constitution shall take effect once the proposed Resolution 11 is approved by a majority of not less than seventy-five percent (75%) of such members who are entitled to attend and vote at the Company's 42nd AGM.

STATEMENT ACCOMPANYING NOTICE OF THE 42ND AGM

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

1. The Director who is retiring by rotation in accordance with Article 78 of the Company's Constitution and seeking re-election:
 - (a) Tan Sri Dato' Seri Shamsul Azhar Abbas.
2. The Directors who are retiring by rotation in accordance with Article 85 of the Company's Constitution and seeking re-election:
 - (a) Dato' Ir. Jamaludin Osman; and
 - (b) Mr. Tee Beng Thong.

The profiles of the abovenamed Directors are stated in the Directors' Profile on pages 58 to 62 of this Annual Report.

None of the abovenamed Directors has any interest in the securities of the Company or its subsidiaries.

ADMINISTRATIVE DETAILS

ADMINISTRATIVE DETAILS FOR THE FORTY-SECOND ANNUAL GENERAL MEETING (42ND AGM) OF MMC CORPORATION BERHAD TO BE HELD AT MAHKOTA II, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA ON MONDAY, 14 MAY 2018 AT 10.00 A.M.

PARKING

- Parking for shareholders/proxies is available at the parking bays of the Hotel. The parking fee will be borne by MMC. You are to exchange your entry ticket with exit ticket at the designated counter outside the Ballroom.

REGISTRATION

- Registration will start at 8.00 a.m. and registration counters will remain open until the conclusion of the 42nd AGM or such time as may be determined by the Chairman of the meeting.
- Directional signages are placed at conspicuous areas to direct you to the meeting registration counter.
- Please produce the original Identity Card (IC) during the registration for verification and ensure that you collect your IC thereafter.
- Upon the verification and registration, you will be given an identification tag. No person will be allowed to enter the Ballroom without the identification tag.

REFRESHMENT

- Packed breakfast will be distributed from **8.00 a.m. to 10.30 a.m.** on the day of the meeting. Each shareholder or proxy present at the meeting will be entitled to only one (1) packed breakfast by producing the breakfast coupon. The coupon will be distributed upon registration. **Any request for packed breakfast after 10.30 a.m. will not be entertained.**

MEAL VOUCHER

- In addition to the packed breakfast, the meal voucher will also be distributed upon registration from **8.00 a.m. to 10.30 a.m.** Each shareholder or proxy present at the meeting will be entitled to only one (1) meal voucher. **Any request for meal voucher after the conclusion of the Annual General Meeting will not be entertained.**

RECORD OF DEPOSITORS FOR ATTENDANCE AT THE 42ND AGM

- For the purpose of determining members who shall be entitled to attend the 42nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 7 May 2018. Only depositors whose names appear on the Record of Depositors as at 7 May 2018 shall be entitled to attend the 42nd AGM or appoint proxies to attend and/or vote on their behalf.

PROXY FORM

MMC Corporation Berhad (Company No. 30245-H)

No. of Ordinary Share(s) held

CDS Account No.

I/We, _____
(FULL NAME OF SHAREHOLDERS AS PER NRIC/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

(NRIC NO. / PASSPORT NO. / COMPANY NO.)

(FULL ADDRESS)

being a member/members of MMC CORPORATION BERHAD hereby appoint:

Name/NRIC No.

No. of Shares

Percentage (%)

Proxy 1 _____ and/or failing him/her

Proxy 2 _____ or failing him/her

the **Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 42nd AGM of the Company to be held at the Mahkota II, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Monday, 14 May 2018 at 10.00 a.m., and/or at any adjournment thereof, on the following Resolutions referred to in the Notice of the 42nd AGM:

(Please indicate "X" in the appropriate box against each Resolution as to how you wish your proxy/proxies to vote)

NO.	AGENDA			
1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Report and Auditors' Report thereon.			
ORDINARY BUSINESS		RESOLUTION	FOR	AGAINST
2.	Declaration of a final single-tier dividend of 4.0 sen per share for the financial year ended 31 December 2017.	Ordinary Resolution 1		
3.	Payment of Directors' fees amounting to RM1,174,880.02 to the Non-Executive Directors (NEDs) of the Company for the financial year ended 31 December 2017.	Ordinary Resolution 2		
4.	Payment of Directors' fees up to an amount of RM1,938,000.00 to the NEDs of the Company for the period from 1 January 2018 until the conclusion of the next Annual General Meeting (AGM).	Ordinary Resolution 3		
5.	Benefits payable to the Directors of the Company up to an amount of RM3,258,490.00, for the period from 1 January 2018 until the conclusion of the next AGM.	Ordinary Resolution 4		
6.	Re-election of Tan Sri Dato' Seri Shamsul Azhar Abbas as Director of the Company in accordance with Article 78 of the Company's Constitution.	Ordinary Resolution 5		
Re-election of the following Directors who retire in accordance with Article 85 of the Company's Constitution				
7.	Dato' Ir. Jamaludin Osman	Ordinary Resolution 6		
8.	Mr. Tee Beng Thong	Ordinary Resolution 7		
9.	Re-appointment of Messrs. PricewaterhouseCoopers PLT (PwC) as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 8		
SPECIAL BUSINESS		RESOLUTION	FOR	AGAINST
10.	To approve the continuing in office by Datuk Ooi Teik Huat as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company.	Ordinary Resolution 9		
11.	To approve the continuing in office by Dato' Abdul Hamid Sh Mohamed as an Independent Non-Executive Director of the Company and to hold office until the conclusion of the next AGM of the Company.	Ordinary Resolution 10		
12.	To approve the adoption of a new Constitution of the Company in place of the existing Constitution.	Special Resolution 11		

* Strike out whichever inapplicable.

** If you do not wish to appoint the Chairman of the Meeting as your proxy/one (1) of your proxies, please strike out the words "the Chairman of the Meeting" and insert the name(s) of the proxy/proxies you wish to appoint in the blank space(s) provided.

Dated this _____ day of _____, 2018

Signature(s) of Shareholder(s) or Common Seal

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies or attorney or other duly authorised representative to attend and vote instead of him/her. A member of the Company may appoint up to two (2) proxies to attend the same meeting. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.
2. In the case of a corporation, the proxy form should be under its common seal or under the hand of an officer or attorney duly authorised on its behalf. A proxy need not be a member of the Company, and a member may appoint any person to be his/her proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. In the case of joint holders, the signature of any one of them will suffice.
4. Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.
6. The proxy form, to be valid, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for the meeting or any adjournment thereof.
7. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of AGM will be put to the vote by poll.
8. For the purpose of determining a member who shall be entitled to attend this 42nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 55(a) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 7 May 2018. Only a depositor whose name appears on the Record of Depositors as at 7 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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Affix
Stamp
Here

To:

THE REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

fold here along dotted line

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