



MMC CORPORATION BERHAD | Annual Report **2018**





COVER

RATIONALE

MMC Group continues its journey in growing from strength to strength, driving progress and promoting economic growth. Building upon our impressive track record, we progress forward with strong results by our three core divisions namely Ports and Logistics, Energy and Utilities and Engineering.

During the year, we have consolidated our port operations, strengthened our energy and utilities businesses and boosted nation building through our participation in major infrastructure projects. At the heart of our business lies the pledge to uphold our corporate social responsibility through various initiatives that enrich communities and the environment.

Backed by our impressive credentials and capable workforce, MMC Group progresses into the future together with our shareholders, increasing value and building a better Malaysia. This is in line with the theme of our Annual Report this year, 'Progressing Together'.



Please visit
www.mmc.com.my

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MMC CORPORATION BERHAD

OVERVIEW

MMC Corporation Berhad (MMC) is a leading utilities and infrastructure group with diversified businesses under three divisions, namely Ports and Logistics, Energy and Utilities and Engineering.

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

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

MMC's Engineering division has played a leading role as the Project Delivery Partner (PDP) and underground works package contractor in completing the 51 km Klang Valley Mass Rapid Transit (KVMRT) Sungai Buloh-Kajang project (SBK Line) and is now the main contractor for the entire 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 is currently, undertaking key civil and infrastructure projects in the country namely Langat Centralised Sewerage Treatment Plant and Langat 2 Water Treatment 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 company which specialises in the full spectrum of water treatment and Senai Airport Terminal Services Sdn Bhd, the operator of Senai International Airport in Johor Bahru – a major aviation hub and the main air transportation gateway to Iskandar Malaysia. The Group Property arm of MMC manages close to 6,000 acres of industrial developments in Iskandar Malaysia, Johor and Kulim, Kedah, namely Senai Airport City, Tanjung Bin Petrochemical & Maritime Industrial Centre (TBPMIC) and Northern Technocity (NTC). The Senai Airport City, TBPMIC and NTC developments come under the ambit of the Group Property's three operating companies – Senai Airport City Sdn Bhd, Seaport Worldwide Sdn Bhd and Northern Technocity Sdn Bhd respectively.



VISION

TO BE A
**PREMIER UTILITIES
AND
INFRASTRUCTURE
GROUP**



MISSION

**EXCELLENCE
IN OUR
CORE BUSINESS
SEGMENTS**

OUR CORE VALUES



INTEGRITY



INNOVATION



TEAMWORK



EXCELLENCE



COMMITMENT

CORPORATE STRUCTURE

MMC Corporation Berhad is a leading utilities and infrastructure group with diversified businesses under three divisions namely Ports and Logistics, Energy and Utilities and Engineering.



PORTS AND 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
(99.11% shareholdings)



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



TANJUNG BRUAS PORT SDN BHD
Port Operator
(70% shareholdings)



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



KONTENA NASIONAL BERHAD
Integrated logistics company
(99.11% shareholdings)



KTMB MMC CARGO SDN BHD
Rail cargo operator
(49% shareholdings)



SENAI AIRPORT TERMINAL SERVICES SDN BHD
Airport operator



ENERGY AND UTILITIES

MALAKOFF

MALAKOFF CORPORATION BERHAD
Independent water and power producer company
(38.44%* shareholdings)



GAS MALAYSIA BERHAD
Natural gas distribution company
(30.9% shareholdings)



ALIRAN IHSAN RESOURCES BERHAD
Water treatment specialist



INDUSTRIAL PROPERTY



MMC 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



MMC ENGINEERING SDN BHD
(formerly known as
MMC Engineering Services Sdn Bhd)

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 OIL & GAS ENGINEERING SDN BHD
Engineering design services to the oil & gas industries



MMC GAMUDA KVMRT (PDP) SDN BHD
MMC GAMUDA KVMRT (PDP SSP) SDN BHD
MMC GAMUDA KVMRT (T) SDN BHD

- KVMRT Line 1 - Project Delivery Partner & underground work package contractor (50% shareholdings)
- KVMRT Line 2 - Main Contractor (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)

Note:

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

* excluding treasury shares

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS

Independent Non-Executive Chairman

DATO' SRI CHE KHALIB MOHAMAD NOH

Group Managing Director

DATUK OOI TEIK HUAT

Senior Independent Non-Executive Director

DATO' ABDUL HAMID SH MOHAMED

Independent Non-Executive Director

DATO' SITI HALIMAH ISMAIL

Independent Non-Executive Director

SYED NAQIZ SHAHABUDDIN SYED ABDUL JABBAR

Independent Non-Executive Director

DATO' IR. JAMALUDIN OSMAN

Non-Independent Non-Executive Director

TEE BENG THONG

Independent Non-Executive Director

SHARIFAH SOFIA SYED MOKHTAR SHAH

Non-Independent Non-Executive Director

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
(LLP0014401-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

Boardroom Share Registrars Sdn Bhd
(formerly known as 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

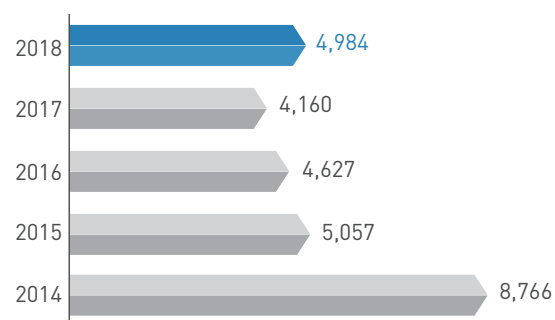
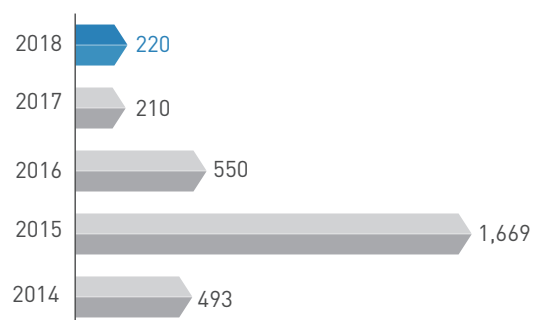
Stock Code : 2194
Stock Name : MMCCORP

**FINANCIAL
CALENDAR 2019****9 May
2019****ANNUAL GENERAL
MEETING****3 June
2019****ENTITLEMENT TO 2018
FINAL DIVIDEND****26 June
2019****PAYMENT OF 2018
FINAL DIVIDEND****ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****28 May
2018****FIRST QUARTER ENDED
31 MARCH 2018****24 August
2018****SECOND QUARTER ENDED
30 JUNE 2018****27 November
2018****THIRD QUARTER ENDED
30 SEPTEMBER 2018****27 February
2019****FOURTH QUARTER ENDED
31 DECEMBER 2018**

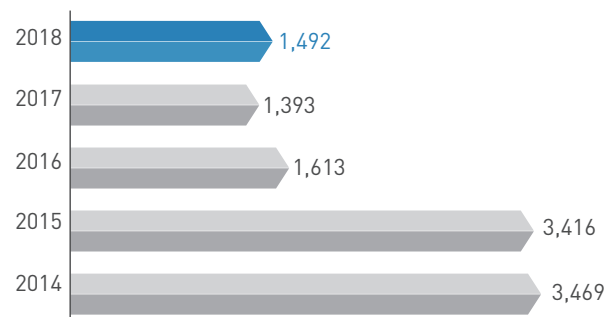
PERFORMANCE AT A GLANCE

5 YEARS SUMMARY

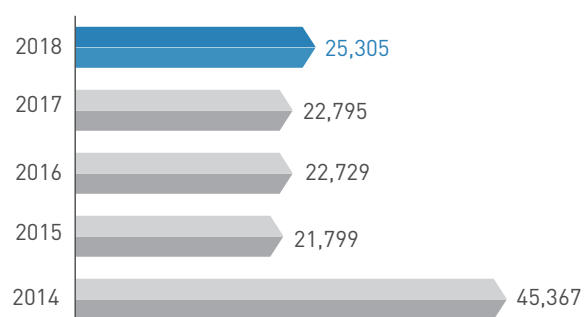
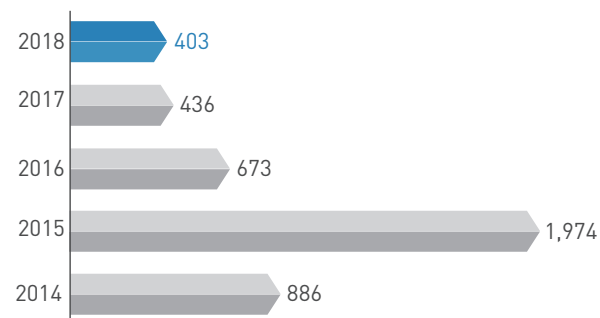
REVENUE (RM'million)

PROFIT AFTER TAX AND
MINORITY INTERESTS (RM'million)

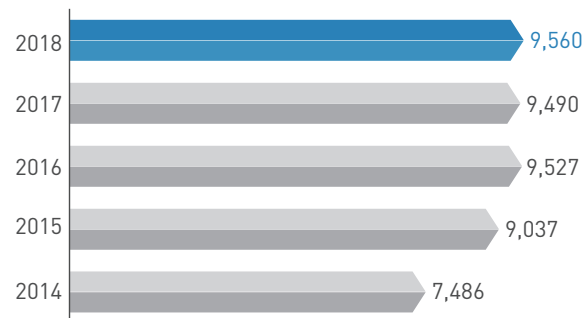
EBITDA (RM'million)



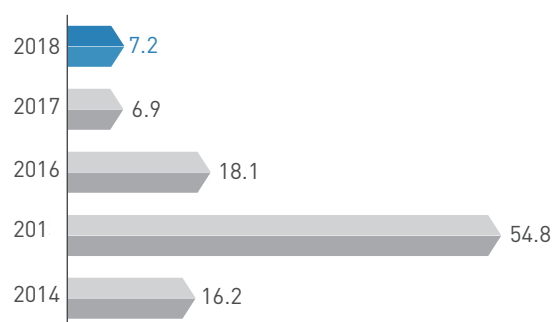
GROSS ASSETS (RM'million)

PROFIT BEFORE ZAKAT AND TAXATION
(RM'million)

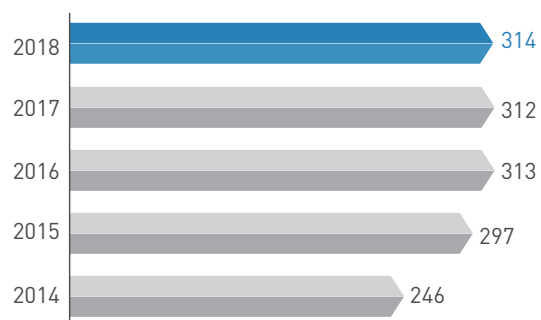
SHAREHOLDERS' FUNDS (RM'million)



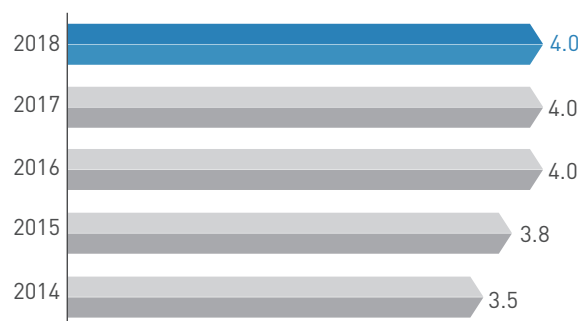
EARNINGS PER SHARE (sen)



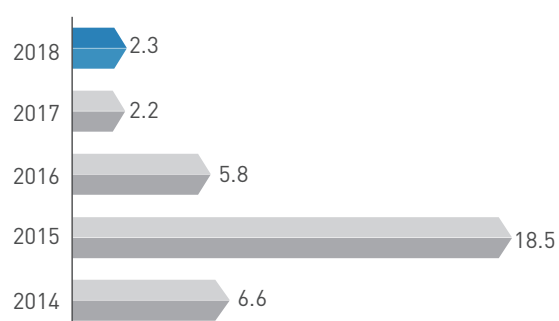
NET ASSETS PER SHARE (sen)



DIVIDEND PER SHARE (sen)



RETURN ON EQUITY (%)



CORE BUSINESS SEGMENTS

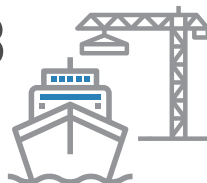
Ports and Logistics

REVENUE

RM3.00
BILLION

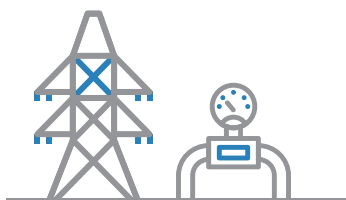
PROFIT BEFORE ZAKAT
AND TAXATION

RM413
MILLION



- Pelabuhan Tanjung Pelepas Sdn Bhd
- Johor Port Berhad
- Northport (Malaysia) Bhd
- Penang Port Sdn Bhd
- Tanjung Bruas Port Sdn Bhd
- Kontena Nasional Berhad

Energy and Utilities



PROFIT BEFORE ZAKAT
AND TAXATION

RM146 MILLION

- Malakoff Corporation Berhad
- Gas Malaysia Berhad

Engineering

REVENUE

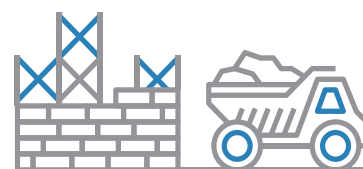
RM1.89 BILLION

- MMC Engineering Sdn Bhd
- MMC Pembetulan Langat Sdn Bhd
- MMC Gamuda KVMRT (PDP) Sdn Bhd
- MMC Gamuda KVMRT (PDP SSP) Sdn Bhd
- MMC Gamuda KVMRT (T) Sdn Bhd

PROFIT BEFORE ZAKAT
AND TAXATION

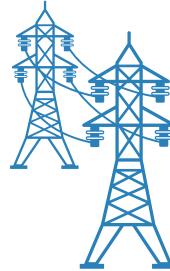
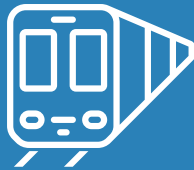
RM292 MILLION

- Stormwater Management And Road Tunnel (SMART)
- UEM MMC Joint Venture Sdn Bhd



COMPETITIVE STRENGTHS

Strong track record to deliver major national infrastructure projects (e.g. MRT1, MRT2 and SMART tunnel)



Largest Independent Power Producer (IPP) in Malaysia



Operates and maintain 2,334 kilometres of Natural Gas Distribution System network



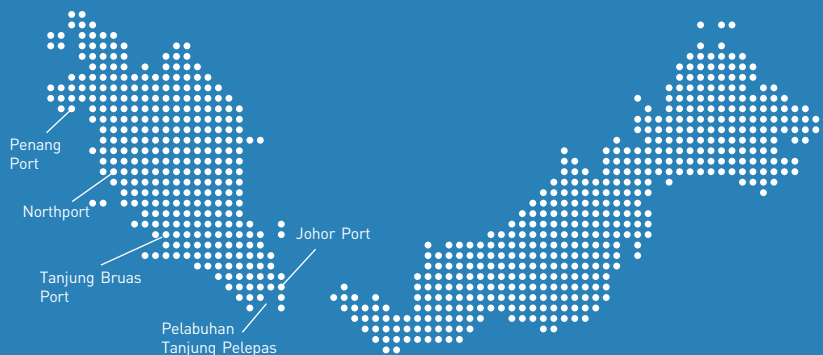
More than

5,000

acres of land for development of industrial hubs at strategic locations across the country



Committed and compliant to various health and safety standards in the industry



Largest port operator in Malaysia



Employer to 12,255 capable talents across various industries

GROUP BUSINESS HIGHLIGHTS

■ Completion of acquisition of the remaining

51%

stake in Penang Port



■ Northport secured a 30-year extension of the port concession



■ Pelabuhan Tanjung Pelepas was the first port in the world to have a vessel depart with a final load of

19,038 TEUs



Highest

conventional cargo throughput in five years. Johor Port with 19.1 million FWT and Northport with 8.6 million FWT

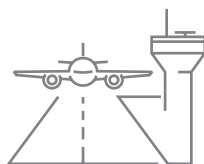
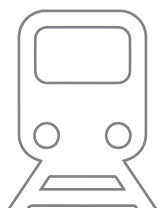
■ Penang Port inked a Joint Venture (JV) agreement with

Royal Caribbean Cruises Ltd



to redevelop and expand Swettenham Pier Cruise Terminal worth RM155 million

■ Engineering division JV company, MMC-Gamuda was appointed as a turnkey contractor for the MRT2 Project



■ Senai International Airport achieved a record of

3.5 million

passenger volume and won the Asia Pacific Regional Airport of the Year 2018 by CAPA

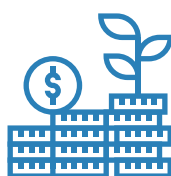


On-going acquisition of Alam Flora Sdn Bhd as a springboard for Malakoff to venture into Waste Management and Environmental Services segment

GROUP FINANCIAL
HIGHLIGHTS

Revenue
(RM)

4.98 billion
(2017: RM4.16 billion)



Profit Before Zakat
and Taxation
(RM)

403 million
(2017: RM436 million)



Profit After Tax and
Minority Interests
(RM)

220 million
(2017: RM210 million)

EBITDA
(RM)



1.49 billion
(2017: RM1.39 billion)



Gross Assets
(RM)

25.31 billion
(2017: RM22.80 billion)

AWARDS

AND ACHIEVEMENTS

A1



A2



A3



A4



A5



A6



B1



B2



B3



B4



B5



- A1 Johor Port Berhad**
22 February 2018
Bulk Liquid Port/Terminal of The Year 2018
- A2 Pelabuhan Tanjung Pelepas Sdn Bhd**
22 February 2018
Green Port/Terminal of The Year 2018
- A3 Malakoff Corporation Berhad**
28 May 2018
Safety and Health Assessment System in Construction
5 Star Rating for Tanjung Bin Energy new coal unloading jetty
- A4 MMC Port Holdings Sdn Bhd**
27 September 2018
Finalist – 2018 Lloyd's List Asia Pacific Award for Port/Terminal Operator
- A5 Pelabuhan Tanjung Pelepas Sdn Bhd**
27 September 2018
Finalist – 2018 Lloyd's List Asia Pacific Award for Port Infrastructure Development of the Year
- A6 Malakoff Corporation Berhad**
8 November 2018
Department of Environment Strategic Partner Plaque of Appreciation

- B1 Malakoff Corporation Berhad**
18 July 2018
MARIM Risk Management Team of The Year Award
- B2 Malakoff Corporation Berhad**
31 August 2018
Anugerah Khas Hari Kebangsaan Malaysia 2018
Peringkat Daerah Pontian
- B3 Northport (Malaysia) Bhd & Penang Port Sdn Bhd**
7 August 2018
Maritime Pilot Stalwart Award 2018
- B4 Northport (Malaysia) Bhd & Penang Port Sdn Bhd**
9 August 2018
Gold Class 2 Award – Malaysian Society for Occupational Safety and Health Occupational Safety and Health Award in Logistics and Transportation category
- B5 Malakoff Corporation Berhad**
26 September 2018
Enterprise Risk Management and Business Continuity Management Excellence Award
- B6 MMC Engineering Sdn Bhd**
28 October 2018
Best Project HSE – Onshore Project
- B7 Senai Airport Terminal Services Sdn Bhd**
8 November 2018
Asia Pacific Regional Airport of The Year 2018
(Category under 10 million passengers) for CAPA Aviation Award for Excellence 2018
- B8 MMC-Gamuda KVMRT (T) Sdn Bhd (MGKT)**
15 November 2018
Builder's Award – Civil Engineering Construction Category at 44th International Federation of Asian and Western Pacific Contractors' Associations'
- B9 Malakoff Corporation Berhad**
7 December 2018
National Institute of Occupational Safety and Health Plaque of Appreciation
- B10 Johor Port Berhad**
11 December 2018
Global Performance Excellence Award – World Class
- B11 Malakoff Corporation Berhad**
27 February 2019
National Council for Occupational Safety and Health Excellence Award (Electricity Facility category)



ASSOCIATIONS AND CERTIFICATIONS

COMPANY	LIST OF ASSOCIATIONS & CERTIFICATIONS
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 Malaysian International Chamber of Commerce & Industry (MICCI) • A Member of Malaysian Dutch Business Council (MDBC) • A Member of Malaysian German Chamber of Commerce & Industry (MGCCI) • A Member of European Union – Malaysia Chamber of Commerce & Industry (EUMCCI) • A Member of Institute of Internal Auditors (IIA) • A Member of Malaysia Australia Business Council (MABC) • A Member of Malaysian French Chamber of Commerce & Industry (MFCCI)
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 - Toyibban 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 9001:2015 – Quality Management System • A Member of ASEAN Ports Association (APA) • A Member of Malaysian International Chamber of Commerce & Industry (MICCI) • A Member of Malaysian Institute of Accountants (MIA) • A Member of Malaysian Employers Federation (MEF) • 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
Kontena Nasional Berhad	<ul style="list-style-type: none"> • ISO 9001:2015 – Quality Management System • MS 2400:2010 – Halal-Toyibban Assurance Pipeline – Part 1: Management System Requirements for Transportation of Goods and/or Cargo Chain Services • OHSAS 18001:2007 – Occupational Safety and Health Management System • A Member of International Air Transport Association (IATA) • A Member of Airfreight Forwarders Association of Malaysia (AFAM) • A Member of Selangor Freight Forwarders and Logistics Associations (SFFLA) • A Member of Penang Freight Forwarders Association (PFFA) • A Member of Malaysia Employers Federation (MEF) • A Member of Federation of Malaysia Manufacturers (FMM) • A Member of Association of Malaysian Haulage (AMH) • A Member of Maritime Institute of Malaysia (MIMA) • A Member of The Malaysian Oil & Gas Services Council (MOGSC)

COMPANY	LIST OF ASSOCIATIONS & CERTIFICATIONS
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 Malaysia • 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 • Malaysian Gas Association (MGA) • Malaysian Employers Federation (MEF) • Federation of Malaysian Manufacturers (FMM) • The Malaysian Iron and Steel Industry Federation (MISIF) • The Institution of Engineers, Malaysia (IEM) • Malaysian Institute of Accountants (MIA) • Association of Chartered Certified Accountants (ACCA) • The Institute of Internal Auditors Malaysia (IIA) • Malaysian Association of Company Secretaries (MACS)
Aliran Ihsan Resources Berhad	<ul style="list-style-type: none"> • ISO 9001:2015 – 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 Malaysian Employer Federation (MEF) • A Member of Malaysia Association for Auxiliary Police
MMC Engineering Sdn Bhd	<ul style="list-style-type: none"> • ISO 9001:2015 – Quality Management System • ISO 45001:2018 – Occupational Health and Safety Management System • ISO 14001:2015 – Environmental Management System • Registered with Construction Industry Development Board (CIDB) • Syarikat Taraf Bumiputra Bahagian Pembangunan Kontraktor dan Usahawan • Suruhanjaya Perkhidmatan Air Negara (SPAN) • Syarikat Taraf Bumiputera Kementerian Kewangan Malaysia (MOF) • Syarikat Bumiputera Tenaga Nasional Berhad (TNB)
MMC Pembetungan Langat Sdn Bhd	<ul style="list-style-type: none"> • Registered with Construction Industry Development Board (CIDB) • Suruhanjaya Perkhidmatan Air Negara (SPAN) • Obtained 5 Star in the Safety and Health Assessment System in Construction (SHASSIC)
MMC-Gamuda Joint Venture	<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

BOARD OF 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)

QUALIFICATION(S)

- 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), Bintulu Train 9 Project, PETRONAS Floating Liquefied Natural Gas 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 2018)
8/8



DATO' SRI CHE KHALIB MOHAMAD NOH

Group Managing Director

Age	53
Gender	Male
Nationality	Malaysian
Date of Appointment	1 July 2013

MEMBERSHIP OF BOARD COMMITTEES

- Nil

QUALIFICATION(S)

- Member of Malaysian Institute of Accountants
- 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 (CEO). He then assumed the position of Managing Director and CEO of KUB Malaysia Berhad. Dato' Sri Che Khalib was then appointed as the President/CEO 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 2018)
8/8



DATUK OOI TEIK HUAT

Senior Independent Non-Executive Director

Age	59
Gender	Male
Nationality	Malaysian
Date of Appointment	22 May 2008

MEMBERSHIP OF BOARD COMMITTEES

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

QUALIFICATION(S)

- 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
- Tradewinds (M) Berhad

NUMBER OF BOARD MEETINGS ATTENDED

(in financial year ended 31 December 2018)
8/8



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

QUALIFICATION(S)

- 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 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 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 2018)
8/8

BOARD OF DIRECTORS' PROFILE



DATO' SITI HALIMAH ISMAIL

**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

QUALIFICATION(S)

- 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 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 (LHDN), 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 Petroliaam Nasional Berhad (PETRONAS).

DIRECTORSHIPS

Listed Entities

- Nil

Public Companies

- Waqaf An-Nur Corporation Berhad

NUMBER OF BOARD MEETINGS ATTENDED

(in financial year ended 31 December 2018)

8/8



**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

QUALIFICATION(S)

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

SKILLS, EXPERIENCE AND EXPERTISE

Syed Naqiz is a Senior Partner at Messrs. Naqiz & Partners. Having practised law for more than 20 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 logistics.

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

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 2018)

8/8



**DATO' IR. JAMALUDIN
OSMAN**

**Non-Independent
Non-Executive Director**

Age	64
Gender	Male
Nationality	Malaysian
Date of Appointment	17 May 2017

MEMBERSHIP OF BOARD COMMITTEES

- Audit Committee

QUALIFICATION(S)

- 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 Petroliaam Nasional Berhad (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 the

Group Managing Director (GMD) of Island & Peninsular Berhad, a renowned 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 2018)

8/8



TEE BENG THONG

**Independent
Non-Executive Director**

Age	52
Gender	Male
Nationality	Malaysian
Date of Appointment	1 January 2018

MEMBERSHIP OF BOARD COMMITTEES

- Nomination and Remuneration Committee

QUALIFICATION(S)

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

SKILLS, EXPERIENCE AND EXPERTISE

Tee Beng Thong started his career with Messrs. Coopers & Lybrand (now known as Messrs. PricewaterhouseCoopers PLT (PwC)). Thereafter, he went into the distributorship of global fast-moving consumer goods (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 2018)

8/8

BOARD OF DIRECTORS' PROFILE



**SHARIFAH SOFIA
SYED MOKHTAR SHAH**

**Non-Independent
Non-Executive Director**

Age	25
Gender	Female
Nationality	Malaysian
Date of Appointment	28 May 2018

MEMBERSHIP OF BOARD COMMITTEES

- Nil

QUALIFICATION(S)

- Master of Science in Development Management, London School of Economics and Political Science (LSE), United Kingdom
- Bachelor of Science in Economics, University of York, United Kingdom

SKILLS, EXPERIENCE AND EXPERTISE

Sharifah Sofia was accorded the Duke of Edinburgh Award (Gold) and the York Award, in recognition of her co-curricular commitments and extensive involvement in the Student Community at University of York, respectively.

Sharifah Sofia served as a Congressional Intern in Washington DC, United States of America in 2013, a Summer Analyst in Morgan Stanley, Singapore in 2014 and an External Consultant to Bill & Melinda Gates Foundation from October 2015 to May 2016.

Sharifah Sofia joined POS Malaysia Berhad as a Special Officer to the Group Chief Executive Officer from January to October 2017. She also had a stint with Grameen

Bank, Bangladesh where she acquired greater understanding of microfinance and the operation of social businesses.

Sharifah Sofia is a Director of Seaport Terminal (Johore) Sdn. Bhd., a Major Shareholder of the Company. Sharifah Sofia is the daughter of YBhg Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor, the Ultimate Major Shareholder of MMC, via his 99.9% shareholding in Indra Cita Sdn. Bhd., the holding company of Seaport Terminal (Johore) Sdn. Bhd. which in turn is a Major Shareholder of MMC.

DIRECTORSHIPS

Listed Entities

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

Public Companies

- Nil

NUMBER OF BOARD MEETINGS ATTENDED (in financial year ended 31 December 2018)

4/4

Except for Sharifah Sofia Syed Mokhtar Shah, none of the Directors has any family relationship with any Director and/or Major Shareholder of MMC.

None of the Directors has 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 2018.

MANAGEMENT TEAM

PROFILE



MOHD SHAHAR YOPE

Group Chief Financial Officer

QUALIFICATION

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

BACKGROUND

- Joined MMC Corporation Berhad as Director Business Development & International Business on 4 August 2014
- 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
- Joined Telekom Malaysia as General Manager, Business Planning in 2005
- Began his career at Ernst & Young, Kuala Lumpur in 1988

DIRECTORSHIP

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 faculty members of the Harvard Business School, Boston, US in 2014

BACKGROUND

- Joined MMC Port Holdings Sdn Bhd on 4 January 2016 as Group Chief Executive Officer
- Appointed as the Chief Operating Officer and Projects Director at Westports Malaysia
- 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

DIRECTORSHIP

Sits on the board of Northport (Malaysia) Bhd, Kontena Nasional Berhad and Johor Port Berhad

MANAGEMENT TEAM PROFILE



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

- Worked 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
- Chief Executive Officer/Country Director of IJM Construction (Pakistan) Pvt Ltd
- Worked in various capacities in IJM Construction and was involved in numerous acclaimed projects

DIRECTORSHIP

Does not hold any directorship in any public companies and listed companies



IR. CHEE WENG LOON

Director
Engineering & Contracts

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

- Appointed as Director of Engineering & Contracts at MMC Corporation Berhad
- Worked as Senior Project Manager at IJM Construction Sdn. Bhd. and managed the construction of Binjai KLCC Condominium, CIMB Bank Headquarters and Park Seven Condominium projects
- One of the pioneer team members from KLCC Projek Bhd

DIRECTORSHIP

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

- Appointed as Director of Group Treasury at MMC Corporation Berhad
- Worked with JP Morgan Chase's Kuala Lumpur office as Vice President of its Investment Banking Division

DIRECTORSHIP

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 with a Certification in Risk Management Assurance from the Institute of Internal Auditors Inc, USA

BACKGROUND

- Appointed as Chief Internal Auditor at MMC Corporation Berhad
- Worked as the Chief Internal Auditor of Tenaga Nasional Berhad
- Worked as General Manager for Group Internal Audit at UEM Group Management Sdn Bhd
- Past President and Board Governor of the Institute of Internal Auditors Malaysia
- Honorary Treasurer of the Asian Confederation of Institutes of Internal Auditors

DIRECTORSHIP

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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Every day, we touch someone's life through the roles we play and the way we work. We connect people and businesses across the globe, we light up lives by generating energy for homes and industries, and we help to build infrastructures that afford our society the convenience they enjoy today.

Those are our roles and how well we execute our work directly and indirectly influences many others. We are committed to playing our part and our determination is driven by our purpose to build a better tomorrow for all, including the future generation.

As a leading utilities and infrastructure company, MMC Corporation Berhad is steadfast in our commitment to contribute to the country's growth by combining our skills and resources with our partners in support of the Government's efforts to achieve sustained economic and social development.

For decades, through our core businesses in Ports and Logistics, Energy and Utilities as well as Engineering, we have helped to grow the economy by creating job opportunities, facilitating commercial trade, supplying power to businesses and homes, and developing infrastructure projects to improve the quality of life.

In 2018, we reaffirmed our resolve to achieve our purpose by undertaking various initiatives. These included, among others, investments to improve facilities and efficiency at our air and sea ports, efforts to ensure consistency and reliability in provision of energy, as well as participation in infrastructure developments and timely delivery of nation building projects that were entrusted to us.

Thus, the theme for this 2018 Annual Report is ***Progressing Together***, as it reflects another year of sustainable growth in business fundamentals for us and our stakeholders as well as our contribution to social development for the nation.

THE GROUP RECORDED
A SOLID REVENUE OF

RM4.98
BILLION

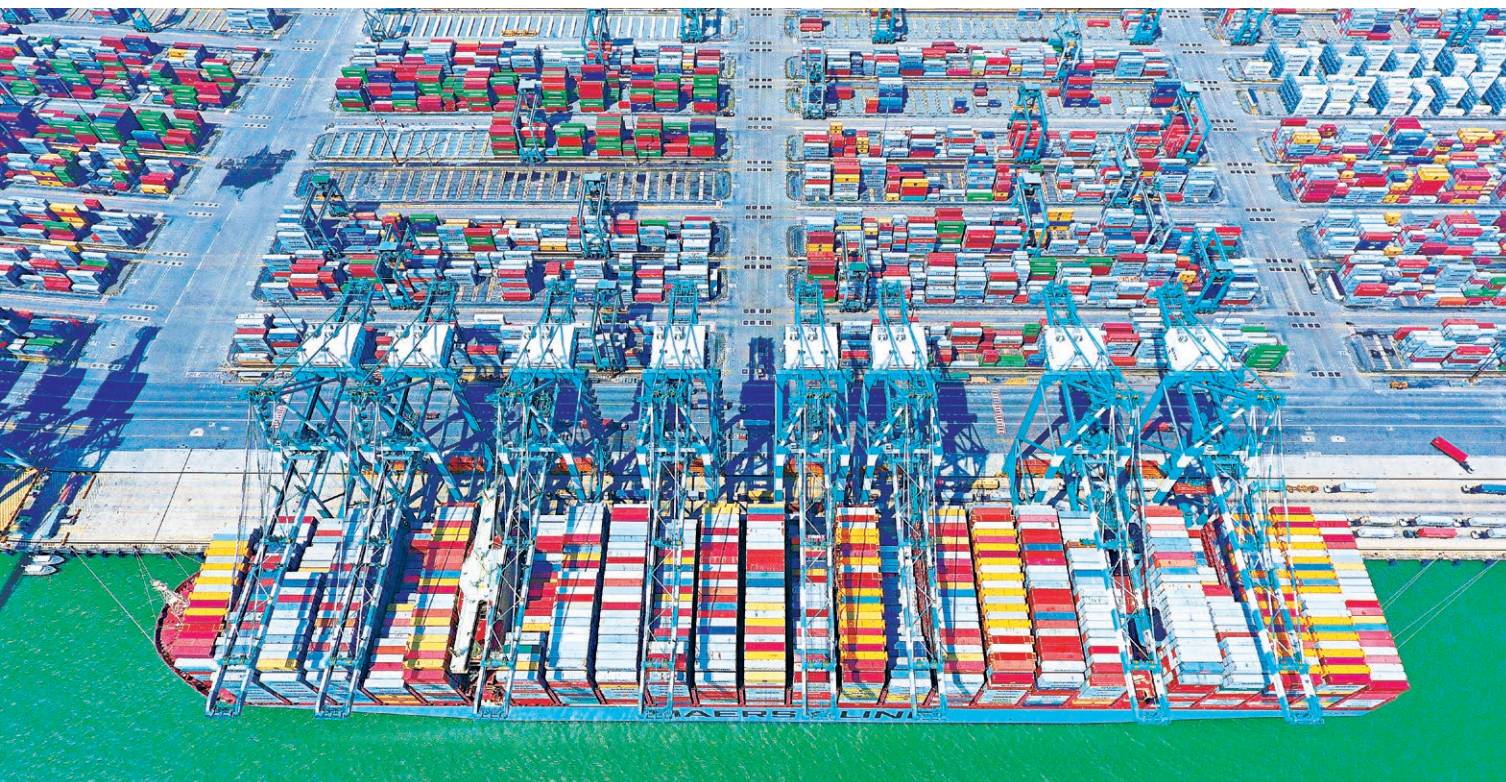
20% INCREASE
IN REVENUE



I am pleased to report that, despite the challenges faced, the Group has once again delivered resilient results for the financial year ended 31 December 2018 with stable shareholder returns and a strong financial position with a comprehensive risk management framework.

Our financial success rests on our capability to manage the organisation based on positive merits and good governance, grow the business and develop long-term relationships with our stakeholders, and our ability to create value for shareholders as we progress.

The Board of Directors had on 1 April 2019 approved a dividend of 4.0 sen per share to be paid on 26 June 2019.



Within the pages of this Annual Report, you will find further information on the Group's milestones, performance review, financial statements and activities for the year 2018.

While an important measure of our achievement lies in our ability to generate business growth, it is also pertinent that we continually meet the needs of our customers, our people, and our community. We must also constantly endeavour to reach out to the underprivileged so that they are not left behind in these rapidly-evolving times.

Thus, I am happy to share with you that we have made great strides in all these aspects during the year under review.

PERFORMANCE OVERVIEW

During the year, we achieved a number of our performance targets despite having to weather storms of global

economic uncertainties, geopolitical tensions and commodity price fluctuations.

The wind of change brought a historic transition in Government for the first time since Malaysia's independence, which led to a revamp of Government policies and reorientation of perspectives to social and economic development. These changes also included a review of major infrastructure projects, some of which influenced the performance of our Engineering businesses.

With a strong foundation, we overcame these challenges and adapted to the dynamic changes in demand, evidenced by a resilient 2018 performance where MMC Group's revenue climbed 20% to RM4.98 billion, from RM4.16 billion in 2017.

The Ports and Logistics division contributed the lion's share of 60% to overall revenue, backed by 3% and 6% year-on-year improvements for container and conventional volumes, respectively.

In 2018, as part of our continuous effort to improve operational efficiency, the division invested RM724 million on new and refurbished equipment including 15 new Quay Cranes, five new Rubber Tyred Gantries, two new Rail Mounted Gantries, and 162 new Prime Movers (PM) while RM126 million has been spent in channel deepening projects for Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) which is expected to be completed in 2019 with total estimated cost of RM240 million.

Other notable developments over the year included the acquisition of the remaining 51% interest in Penang Port Sdn Bhd (Penang Port), formalisation of our joint venture with Royal Caribbean Cruises Ltd to redevelop Swettenham Pier Cruise Terminal, and signing of the privatisation agreement of Northport (Malaysia) Bhd (Northport) for another 30 years of concession.

CHAIRMAN'S STATEMENT



Meanwhile, from the perspective of our Energy and Utilities division, the electricity produced by our plants continued to power economic growth and supply to the National Grid. The dynamics of power generation is constantly changing and globally, the shift to less carbon-intensive sources is expected to drive the growth of renewable energy as a crucial power supply.

Our acquisition of a 50% interest in Australia's Macarthur Wind Farm in 2013 was just the first step in our move to widen our renewables portfolio. We are currently exploring potential opportunities in this area, particularly in solar, mini hydro, biogas and waste-to-energy projects. Ultimately, our aim is to produce cleaner energy to help support economic growth and improve overall quality of life.

Financially, the Energy and Utilities division continued to provide MMC Group with stable recurring income. The power segment's 2018 performance was influenced by the revision of terms under the renewed power purchase agreement for one of our power plants, but this impact was somewhat cushioned by a significant improvement in the distribution of natural gas business.

The Engineering division also saw revisions in the terms of the agreement for the Klang Valley Mass Rapid Transit (KVMRT) Sungai Buloh-Serdang-Putrajaya (SSP) Line project, which involved an overall project value reduction of RM8.82 billion to RM30.53 billion. We positively view the revision as a move for the greater benefit of our nation and we take pride that the Government continued to believe in our capability by entrusting us with the entire development of the project, both underground and elevated.

Our greater role, in addition to creating jobs, is also to benefit the rakyat and the country through our contributions to nation building. We believe in the wisdom of our Government, we are thankful to have earned their trust and we are confident that our positive track records will enable us to pursue other meaningful nation building opportunities in the future.

Meanwhile, we continued to play our part in ensuring the timely completion of progress work for on-going infrastructure projects such as the water treatment plant and sewerage plant, which upon completion will improve the overall quality of life.



As a result, higher cumulative work progress was achieved from the KVMRT-SSP Line and the Langat Centralised Sewage Treatment Plant (Langat CSTP), which helped to push the division's earnings higher for the year.

This all-encompassing approach to growth translated into higher revenue year-on-year for the Group and simultaneously strengthened our capabilities and capacity. In 2018, we were able to achieve a Profit Before Zakat and Taxation of RM403 million and Profit After Tax and Non-Controlling Interest of RM220 million in 2018 despite some segments of our business remained subdued.

The Management Discussion and Analysis section on pages 32 to 67 reviews our financial and operational performance in further detail.

GOVERNANCE AND RISK MANAGEMENT

MMC Group's success was also attributed to structured corporate governance and risk management.

Guided by our Board Policy, Code of Ethics, Corporate Disclosure Policies and Procedures, and other principles, the Board focused on developing strategies that were crucial to our long-term sustainable growth, identifying and managing risks, as well as ensuring adequate internal controls and transparency.

We ensured that opportunities were given to our shareholders, customers, employees and communities to share their opinions and concerns with us through the available communication channels.

Aside from the executive management, we have formed a number of committees to have oversight of our operations and potential risks as well as other commitments on the ground. This included, among others, the Audit Committee, the Finance, Investment and Risk Committee and the Nomination and Remuneration Committee.

Our risk management framework and processes were aligned with the principles of ISO 31000 for effective management of risks across the Group. In addition, this framework was also adopted throughout the Group and integrated into our culture, business practices and business plans, so that all employees would be aware of the processes and consistently adhere to the framework.

Throughout the year, we held numerous discussions with our investors and stakeholders to obtain their feedback about our operations, performance and strategic direction. These discussions also served as a platform for us to explain about our initiatives and to help them better understand our purpose.

We were pleased to find our investors satisfied with our governance and risk management strategy, which included measures to identify and assess key risks coupled with swift affirmative action to resolve or mitigate any untoward outcome.

We also took proactive measures to identify future trends and reviewed our strategies across all aspects of our operations through meetings and engagements with respective stakeholders to see where we could do better and how best to respond to changes.

REINVENTING FOR THE FUTURE

The world, including the industries that we are operating in, is changing at a rapid pace and as a leading utilities and infrastructure service provider, we must be dynamic in re-inventing ourselves when the need arises.

We could see that consolidation of shipping liners and formation of alliances continue to alter the landscape in the shipping industry, while mega ships became the new trend following the introduction of the Ultra Large Container Vessels (ULCV) in recent years.

In the world of energy, rising concerns about global climate accelerated the push towards cleaner, low carbon energy with greater regulatory requirements on emissions.

Clearly, in the wake of these and other changing trends, we must plan, adapt and evolve to stay ahead of the competition and minimise our vulnerability. For us, it means investing in our facilities and equipment to improve efficiency at our ports, building up our renewable portfolio, prioritising new technologies that will enhance our transition, efficiency and reliability, and exploring new markets.

As always, we have and will continue to maintain our stance on prudent spending and careful investment whilst at the same time we work to increase productivity, efficiency and quality of service.

STRENGTH IN RELATIONSHIPS

In a unique business like ours, it is pertinent to build up strong relationships with our customers as well as strengthen their trust and confidence in our business practices.

Our long-term strategic partnerships with valued customers and business associates helped us through the year and owing to our on-going strategy, we have also gained the trust of new customers.

Underpinning our success was our capable team of people who had been supporting the organisation's operations and providing exceptional services to our customers. Throughout the year, our employees demonstrated unwavering commitment and worked tirelessly for the Group and I wish to commend them for their selfless acts in caring for the wellbeing of our communities by participating in various outreach projects.

On our part, the Group and subsidiaries have introduced a number of programmes to help employees enhance their skills and knowledge for their personal and career advancement.

PTP's commitment towards the national human capital development continues with several initiatives such as the Succession Planning Programme, Leadership Development Programme, Leadership Competency Assessment, Functional Competency Framework and Technical Competency Training for Engineering technicians.

CHAIRMAN'S STATEMENT

Johor Port Berhad (Johor Port), on the other hand launched the 2-year United Nations Conference on Trade and Development (UNCTAD) Modern Port Management Programme in July 2018 to strengthen employees' knowledge and skills in port management for their career development. Johor Port employees were given the opportunity to enhance their industry skills and knowledge in port services at the JP Skills Centre.

In addition, Northport introduced the Equipment and Maintenance training modules as part of the Northport International Centre of Excellence Programme.

Various training sessions and workshops were also conducted over the year, focusing on other technical and administrative areas as well as on quality.

Notable among them was Senai Airport Terminal Services Sdn Bhd's (Senai International Airport) investment in 2018 for over 100 training programmes to develop employees' knowledge and skills on topics such as leadership, management, technical, functional, soft skills, safety and health, as well as behavioral and motivational principles.

Throughout the year, we endeavoured to create a conducive workplace for our employees, putting much emphasis on the aspects of health, safety and environment.

CARING FOR OUR COMMUNITY

To make a lasting positive impact on the communities around us, we made a number of social investments to improve their standard of living and develop their skills through our social programmes.

We achieved this by recruiting workers from our surrounding communities so that they may increase their quality of lives. At the same time, we promoted upskilling and offered opportunities for their career expansion.

For instance, we collaborated with the Ministry of Higher Education's Department of Polytechnic Education since December 2017 to offer polytechnic students the opportunity to undergo industrial training in MMC Group of companies. For PTP, its collaboration with local industrial academia such as, among them the Universiti Malaysia Terengganu and Universiti Tun Hussein Onn Malaysia continues with several initiatives such as Industry Talk and Exhibition, Roadmap of 3u1i (3 years university, 1 year industrial attachment) Programme, Structured Internship Programme and Career Insight Programme.

We also aim to raise the level of knowledge and awareness about our industry through programmes conducted at JP Skills Centre, that are in line with our greater objective and commitment to nation-building.

These initiatives are currently on-going and will continue to be an area of focus.

One of our goals was to ensure that our initiatives have a positive impact and resonate well with our communities. We continue to engage with the local residents to help us understand the broader impact of our operations on their lives and to obtain feedback on their thoughts, so that we could address their concerns.

As we continued to grow, we also took it upon ourselves to land a helping hand to the less fortunate and to give back to society in other ways.

The MMC Group Back to School programme benefited 525 underprivileged students by providing school aid in the form of school uniforms, shoes, socks, stationeries, school bags, revision books and other items.

In 2018, we continued with our annual MMC Prihatin Programme by contributing essential food items to 650 underprivileged recipients, who were mostly single parents, elderly, poor or disabled.

Our initiative to support the development of our future generation comes via our annual MMC Smart Circle Programme, where we provided learning materials and upgraded school libraries to encourage learning and reading. During the year under review, we contributed reading materials to 26 schools throughout Malaysia.

Our CSR initiatives also included a breakfast programme involving 982 students for a period of 9 months in 2018, which was conducted in the areas surrounding our business in Johor.

At the respective operational units, other CSR programmes and donations were also made to good causes. These included donations to educational programmes, schools and places of worship.

It was heart warming to see our employees reaching out to those in need in times of crisis, during the MMC Flood Relief Programme. Members of MMC Group in the southern region, comprising Johor Port, PTP, Senai International Airport and Senai Airport City Sdn Bhd, had pooled together their resources at the beginning of the year to organise flood relief programme for flood victims in Mersing, Johor, by distributing essential needs to 109 families.

Caring for our communities was one of our key priorities for the year, and socio-economic development will remain a core focus for us as we progress ahead.

SUSTAINABLE DEVELOPMENT

The natural ecosystem forms an important part of our lives because a healthy environment underpins the well-being of our people and influences the heart of our economy.

Therefore, we took several important measures to understand and preserve our environment as well as reduce our carbon footprint and waste.



We continued with our on-going programme to study the wildlife species and habitats in areas surrounding our operations, development sites and airport. For Senai International Airport, data and observations obtained were used to assist us in ensuring the safety of aerodrome operation and wildlife preservation.

Environmental CSR programmes were also conducted to contribute to a greener Earth in small but important ways. We were touched to see that some 150 volunteers gathered to plant 500 saplings sponsored by Malakoff in Putra Heights in collaboration with Yayasan Hijau and Majlis Perbandaran Subang Jaya to create awareness on environmental conservation. Malakoff also led more than 300 volunteers in a programme which involved “plogging” and cleaning up the beaches in Teluk Senangin, Manjung, Perak. Down south, 40 volunteers from Senai International Airport had taken the effort to hike up Mount Pulai to help clean up the trails and streams.

Extensive efforts were also taken to reduce waste and carbon footprint by encouraging a culture of recycling, implementing energy saving measures and developing new projects with environmentally-friendly features.

For instance, the Langat CSTP’s design included water reuse technology with a Bio Gas Generation Set within the facility. Upon completion of the plant, effluent water will be reused for equipment washing and the process facility will also be supported by a solar power system.

Another key initiative was the reduction of energy consumption at our air and sea ports as we headed towards sustainable operations. Significant investments were made to convert to energy-efficient resources, such as light emitting diode lighting, variable refrigerant volume air conditioning systems, installation of switch-off timers and monitoring of electricity usage.

Our drive to produce cleaner low carbon energy began with our venture into wind energy and we are now in the midst of seeking opportunities to expand our portfolio of renewable energy assets, which may include solar, hydro and biogas. We are currently collaborating with relevant stakeholders to develop new ways to address the global challenge to reduce emissions in our operations.

We also employed new technologies to gather and analyse relevant data that can help us in our efforts to reduce the impact to the environment.

We made this commitment to care for the environment because we believe that every step we take today will help to bring long-term environmental preservation and improvement for the future.

MMC Group aims to create long-term value for our stakeholders and to achieve our purpose to build a better tomorrow, by making a real contribution to sustainable development.

SAFETY AND HEALTH

Safety is and will always be our top priority and our goal to pursue an injury-free workplace is an on-going effort.

In planning our operations, we took the approach of identifying potential hazards and managing those risks with appropriate standards and acceptable methodologies.

We apply industry benchmarks in our assessment of our safety standards, such as Average Lost Time Injuries Frequencies rate, and we also comply with the standards of the Occupational Health and Safety Management Audits as part of our stringent approach to managing occupational health and safety in the workplace.

At the operational level, we also conducted sector specific measures to mitigate the risks of fatalities and accidents.

In May 2018, as part of the Safety Transformation Journey Plan, PTP is currently benchmarking itself against APM Terminals’ Fatal 5 Global Operating Standards. Initiatives are being undertaken with the focus in identifying and mitigating risks in areas that are classified as sources of potential fatality.

As part of our drive to promote safety at the workplace, we also conducted regular training and emergency drills to maintain a high level of emergency preparedness in the event of any untoward situation.

CHAIRMAN'S STATEMENT



Employees were also sent for various workshops, covering topics such as prevention and control of shipping and port air emissions, green ports, as well as import and export of scheduled waste, so that they are well equipped to deal with specific situations.

Health and Safety Week campaigns were also conducted by each respective unit as part of our overall Group awareness initiatives. Among the activities held during the Health Safety and Environment (HSE) Day were health and safety talks delivered by medical officers and specialists from public and private hospitals; safety campaigns and dialogues by government agencies such as National Institute of Occupational Safety and Health (NIOSH), Jabatan Keselamatan Jalanraya Malaysia (JKJR) and Bomba Malaysia; health screening; blood donation campaign; games and competition and exhibitions by participating hospitals and government authorities such as Jabatan Kesihatan and Department of Occupational Safety and Health (DOSH).

Our commitment to safety is also reflected in many of our companies obtaining the ISO certification on occupational health and safety. MMC Engineering Sdn Bhd, for instance, obtained the *ISO 9001:2015 – Quality*

Management System and *ISO 45001:2018 – Occupational Health and Safety Management System* certification by Sirim QAS International Sdn Bhd and *ISO 14001:2015 – Environmental Management System* certification by Bureau Veritas Malaysia Sdn Bhd.

At the same time, we also encouraged a healthy workforce by raising awareness and conducting campaigns on managing health and promoting wellness.

Safety will always remain at the forefront of our operations and our goal is to achieve zero injuries at the workplace while ensuring the safety of those who reside around us and protecting the environment.

AWARDS AND ACCOLADES

It was encouraging to find our customers expressing their support by naming us for some of the most coveted awards in the industry and such recognition of our employees' hard work was, I believe, very encouraging for them as well.

2018 Global Ports Forum Award recognised PTP and Johor Port with the *Green Port Terminal of the Year* award and *Bulk Liquid Port/Terminal of the Year* award respectively.

Asia Pacific Quality Organisation also awarded Johor Port with the *Global Performance Excellence Award (GPEA) – World Class*.

Northport and Penang Port each received the *Gold Class II – Occupational Safety and Health Award in Logistics and Transportation* category from the Malaysian Society for Occupational Safety and Health; as well as the *Maritime Pilot Stalwart Award 2018* from the Malaysia World Maritime Week 2018.

Celebrated among the finalists of Lloyd's List Asia Pacific Award were MMC Ports for *Port/Terminal Operator* and PTP for *Port Infrastructure Development of the Year*.

Our focus on safety was featured when Malakoff won the *Risk Management Team of the Year Award 2018* and the NIOSH plaque of appreciation, while our contribution to construction and airport management was reflected in MMC-Gamuda winning the *Builder's Award – Civil Engineering Construction Category*, and the *Asia Pacific Regional Airport of the Year 2018*, which went to Senai International Airport.

Lumut Power Plant, owned by Malakoff, won the National Council for Occupational Safety and Health (NCOSH) Excellence Award 2018 from the DOSH under the Ministry of Human Resources. The prestigious NCOSH Excellence Award is a recognition at the national level for individuals, media, journalists and various organisations with excellent track records in its occupational health and safety practices at the workplace.

We were humbled to receive these awards and recognitions, which will certainly spur us on to perform even better in the coming years.

WAY FORWARD

Global uncertainties, financial market volatility and slower economic growth will remain key challenges as we head into the new year. However, we are confident that the outlook for MMC Group is positive given the strong foundation that we have built over the years as well as our ability to capture new opportunities that arise.

Our ports now have the capability to handle larger vessels with more volume and the capacity to serve new customers and capture new opportunities.

By leveraging on our Group's collective strength, we can achieve cost savings and our ports can also offer more comprehensive services to shippers, providing a more viable and cost-effective option to customers.

The positive outlook for global aviation also bodes well for Senai International Airport while the Pearl of the Orient will continue to shine as a cruise destination and sustain passenger arrivals at our Swettenham Pier Cruise Terminal in Penang.

We foresee that demand for energy will steadily increase in a growing economy like ours, amid robust industrial activities and expanding number of households. The transition towards renewable energy will be gradual and will yield positive earnings in future years. Meanwhile, we will continue our commitment to promote and advocate the use of natural gas as an alternative fuel of choice. This is more pertinent, since natural gas in itself is classified as one of the cleanest burning fossil fuels.

In addition, we have also submitted tenders to compete for new infrastructure projects in both public and private sectors, and we believe we are well-positioned to win a number of projects.

The industrial property market is seeing an increase in interest, but demand will depend largely on market sentiment as well as the pace of growth in industrial activities over the coming months. We will nevertheless continue with our aggressive marketing strategies to woo potential customers.

Overall, we expect a continued growth for MMC Group in 2019 as we continue to build our assets and strengthen our capabilities, with a focus on efficiency and safety, customer service, employee empowerment, community care and environmental preservation.

As we move forward, we will also continue to create shareholder value by further expanding our businesses, prudently managing costs and diversifying to new growth areas.

APPRECIATION

MMC Group has once again delivered another set of resilient results despite having to operate in a challenging environment.

I would like to thank all my colleagues on the Board for providing balance and strength to the leadership.

Much of the credit for our success goes to our Group Managing Director, Dato' Sri Che Khalib Mohamad Noh and his management team as well as all our employees who have dedicated much time and effort to make these achievements possible. Their dedication and tenacity in carrying out their responsibilities truly reflect the values of MMC Group.

Our customers, business partners and suppliers have also stood by us throughout the challenging year, while various government agencies, regulatory bodies and authorities have supported us in many various ways, for which we are highly appreciative.

We would not have realised our goals without the understanding of the communities around us and I thank them for supporting our efforts and our purpose to achieve a better tomorrow.

To our shareholders, thank you for your support and trust in our ability to steer the Company to greater heights.

I look forward to your continued support and sharing our progress together.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

2018 was a year of extraordinary change, where we navigated through the nation's first-ever change in Government since independence and weathered financial market turbulence arising from external factors and global economic uncertainties. Many businesses are now adjusting to the new changes in economic policies following the unprecedented change in our Government as well as uncertainties in the global markets due to financial and political developments abroad.

Against the backdrop of 2018, MMC Corporation Berhad moved into uncharted waters as we traversed through the changing course of new government policies, steered our operations with great care and efficiency to continue meeting the needs of our customers, and welcomed new opportunities that arose.

There were instances where we had to face unusual circumstances but the strategies we implemented helped us improved our position in the market and we took proactive measures to minimise exposures and risks, thus enabling us to remain on even keel during the year. We stayed on course with our ambition to become a premier utilities and infrastructure company and on top that, our greater purpose to serve our people through nation building remained the same.

For many years, our air and sea ports have played a pivotal role as a gateway to international trade and tourism and contributed significantly to the national economy, while our power plants powered the growing economic needs of the country. In addition to creating jobs, our involvement in major infrastructure development projects to improve quality of life demonstrated the value of our contribution towards a better tomorrow for society. These roles accentuate our continuing commitment to progress with the nation and we will support the Government in its plans to further develop Malaysia.

Cognisant of the needs of the future generation, we have implemented measures to ensure sustainable development and undertaken green initiatives to keep our seas blue and our skies clear. Having been blessed

with many opportunities and resources, we made it our commitment to help those who are less fortunate so that they are not left behind. Our earnestness to reach out to the underprivileged is reflected in the many outreach programmes we have conducted across the Group.

This epitomises the theme ***"Progressing Together"*** for our 2018 Annual Report.

I am pleased to highlight in this Annual Report another successful year for MMC with several milestones in record-setting throughput handling and consistent capacity growth. Robust trade and strong consumer confidence sustained our port operations. Investment by businesses and port expansion projects helped boost demand for logistics services at our Free Zone areas.

GROUP PROFIT
BEFORE ZAKAT
AND TAXATION

RM403
MILLION

GROUP PROFIT
AFTER TAX
AND MINORITY
INTERESTS

RM220
MILLION

Another significant achievement was the continuing opportunity to participate in major infrastructure projects, paving the way for us to contribute to nation building and achieve our aspiration to serve the people. We reiterated our commitment to support the Government in its development plans and we achieved a significant milestone in 2018 when the Government entrusted us to complete the Klang Valley Mass Rapid Transit (KVMRT) Sungai Buloh-Serdang-Putrajaya (SSP) Line (MRT2) through a re-negotiation exercise that saw the MMC Gamuda joint venture be appointed as the turnkey contractor, while the project was reduced in scope to create a saving of RM8.82 billion to the Government.

With our proven track record, we are confident that we will complete and deliver this large-scale undertaking and other on-going projects on time.

On a broader perspective, our efforts have created positive socio-economic outcomes that benefit society and the timely completion of our upcoming developments will also help to build a better tomorrow for all.

Our drive to achieve that purpose and promote inclusiveness also enabled us to create value and improve our overall financial performance.

For the financial year ended 31 December 2018, MMC Group's revenue grew 20% to RM4.98 billion from RM4.16 billion a year earlier, as we stood firm on the foundation of our three pillars in Ports and Logistics, Energy and Utilities, and Engineering.

Once again, Ports and Logistics remained the key driver of growth for the year, with the division accounting for 60% of MMC Group's revenue, supported by steady volume growth and gains realised from our acquisitions of new ports in recent years.



MANAGEMENT DISCUSSION AND ANALYSIS

We saw that our continued improvements, investments in new equipment and upgrades paid off in the form of strong simultaneous volume growth in our ports across the country. For the year under review, MMC Ports' total container volume handled rose by 3% to 14.2 million Twenty-foot Equivalent Units (TEUs), from 13.8 million TEUs in the preceding year, while conventional volume increased by 6% to 38.8 million Freight Weight Tonnes (FWT), from 36.4 million FWT previously. Higher capacity and efficiency in cargo handling clearly gave our ports the flexibility and ability to meet our customers' changing demand and enabled the provision of services with greater precision and timeliness. This obviously led to greater customer confidence in our capability and service excellence.

Therefore, it was a momentous event when Pelabuhan Tanjung Pelepas Sdn Bhd (PTP) set a world record for being the first port in the world to have a vessel depart with a final load of more than 19,000 TEUs.

It was also commendable that, for the entire year, PTP handled about 9.0 million TEUs, which was 7% above that achieved in 2017, while Northport (Malaysia) Bhd (Northport) and Johor Port Berhad (Johor Port) also recorded their highest conventional cargo throughput volumes in five years.

A total of 2.8 million TEUs and 8.6 million FWT in conventional volume passed through Northport in 2018, indicating continued customer confidence and support from long-lasting relationships with major liners. The Government's decision to extend the port concession

to Northport for another 30 years also reflects their confidence in us, and this will drive us to work even harder to improve our performance and efficiency.

Down south, Johor Port sailed through the year with sterling performance, having handled 0.9 million TEUs and 19.1 million FWT in container and conventional volume, respectively, in 2018. As a gateway to the region, the southern port is continuously looking to shape new business opportunities with partners in the region, its latest being the Memorandum of Understanding (MoU) signed with PT Pelabuhan Indonesia I. The purpose of the MoU is to establish strategic logistics collaboration in a Roll-on Roll-off activities, shipping connectivity and other activities in the regional port and logistics businesses.



Our performance for the year was also anchored on the commendable contribution from recent acquisitions. Tanjung Bruas Port Sdn Bhd (Tanjung Bruas Port), which we acquired in 2017, handled total throughput volume of 0.7 million FWT in 2018.

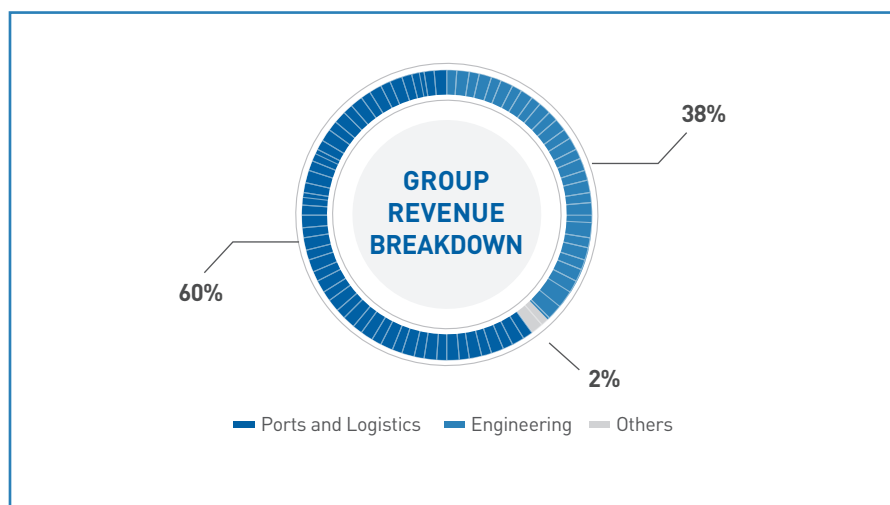
Meanwhile, the completion of our acquisition of the remaining 51% stake in Penang Port Sdn Bhd (Penang Port) on 1 May 2018 enabled the consolidation of its results, thus further boosting MMC Group's overall performance.

Equally of interest is the inking of our joint-venture agreement with Royal Caribbean Cruises Ltd in early September 2018 for the proposed RM155 million cruise terminal expansion project to redevelop Swettenham Pier Cruise Terminal to enable larger cruise ships to berth at the pier in Penang. This will certainly improve earnings in coming years.

Our logistics provider business has been seeing improvements in the warehouse segment but still facing challenges in the freight forwarding segment. The haulage segment of Kontena Nasional Berhad (Kontena Nasional) is still undergoing a rationalisation exercise with cost saving measures of which we anticipate further improvement in subsequent years.

As for our Energy and Utilities division, we earned stable recurring income from our investments in the country's largest independent power producer Malakoff Corporation Berhad (Malakoff) and total energy solutions provider Gas Malaysia Berhad (Gas Malaysia), amid continued demand for electricity and other sources of energy.

Electricity consumption in Malaysia is expected to rise in line with increasing urbanisation and rapid industrialisation in the country. The Government's plan to have 20% of the country's electricity



generated from renewable sources by 2025, from the current 2%, bodes well for Malakoff as it moves into the Renewable Energy (RE) segment.

Immense efforts are currently being placed on the integration of RE to accelerate cleaner energy sources for the future, and we are convinced that Malakoff is headed in the right direction. The proposed acquisition of Alam Flora Sdn Bhd will serve as a springboard for Malakoff to make its foray into the high growth Waste Management and Environmental Services sector.

This move will diversify our current portfolio of coal and gas-fired power generation and accelerate our expansion into RE, as the supply of waste can be used as a resource for Malakoff's power generating activities.

Demand for natural gas as an alternative fuel of choice is also on the rise and we remain optimistic about the outlook for this segment, particularly now that there is greater clarity on tariffs with the implementation of the incentive-based regulation framework and gas cost pass through mechanism.

During 2018, our Engineering division made further progress in completing several projects and advanced in various on-going jobs. Among the projects was the cogeneration plant project in Pengerang, which was completed on 28 December 2018, 35 days ahead of the contractual completion date of 1 February 2019.

However, new developments during the year had also changed the landscape for the Engineering division. The transition to a new Government led to sweeping changes in policies, a review of several major infrastructure projects in the country, including the MRT2 project. After much negotiation with the Government, we have been appointed as a turnkey contractor at an agreed project cost of RM30.53 billion. The reduction in scope of project has brought about a cost reduction of RM8.82 billion for the Government.

We remain grateful to the Government for the continuing opportunity to contribute to the country's development as the main contractor for this undertaking and we are pleased to have gained continued Government's trust in our ability to deliver on major infrastructure projects.

MANAGEMENT DISCUSSION AND ANALYSIS

We have been working closely with our partner Gamuda Berhad as the Project Delivery Partner (PDP) and underground work package contractor of the MRT2 project. In line with our role as turnkey contractors, we look forward to completing the project in our new role, and we aim to deliver just as we have done for MRT Sungai Buloh – Kajang (SBK) Line. Together, we completed and delivered the 51-km KVMRT SBK Line project ahead of schedule in 2017. We remain committed to maintaining our good track record, inspired by the opportunities accorded by the Government and its confidence in our ability to deliver on large-scale projects.

Meanwhile, our existing project the Langat Centralised Sewage Treatment Plant (Langat CSTP) is progressing as planned within the scheduled time frame, which reflects positively on our ability to deliver.

With good work progress, the Engineering division was able to report stronger earnings, contributing positively to MMC Group's revenue growth for the year.

Overall, for the MMC Group as a whole, we believe that the way forward is to continue strengthening our three key pillars alongside efforts to further improve ourselves, enhance our

capabilities, and build our strategy around our people and stakeholders. At the same time, we must continue to give back to the communities around us and put greater emphasis on environmental conservation.

FINANCIAL HIGHLIGHTS

Turning to our financial performance, MMC Group continued to grow in fiscal year 2018, with revenue improving by 20% due to higher cumulative work progress for major infrastructure projects, consolidation of Penang Port's financials, and greater throughput volume at our ports.

We earned an overall revenue of RM4.98 billion in 2018, rising from RM4.16 billion achieved in the preceding year, as we accelerated work progress at the MRT2 Line and Langat Sewerage projects, buoyed by higher volumes passing through our ports.

Furthermore, in 2018, we were also spared from making any provision for impairment on Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART), where in 2017 we had provided as much as RM98 million for this impairment due to lower projected traffic volume.



However, Johor Port's revenue from the Petroliaam Nasional Berhad's (PETRONAS) Refinery and Petrochemical Integrated Development (RAPID) Material Offloading Facility (MOLF) in Pengerang, Johor, was lower as the project neared its end. We also received a lower share of profit from the Energy and Utilities division following a tariff reduction under the extended power purchase agreement (PPA) for Segari Energy Ventures Sdn Bhd (SEV).

Hence, Profit Before Zakat and Taxation (PBZT) eased to RM403 million from RM436 million in 2017. It was noted that the comparative year included a higher contribution from the KVMRT-SBK Line project that was completed in July 2017. We also narrowed the difference through a RM51 million cost saving earned by our ports in 2018 through equipment standardisation and vendor developments, which we attributed to our strategy to leverage on group synergy as well as prudent management, appropriate allocation of resources and the admirable capabilities of our employees.

Ports and Logistics remained the largest contributor to the Group's earnings, accounting for approximately 60% of overall revenue, while Engineering contributed 38% of total Group revenue. In 2018, the Ports and Logistics division remained strong with revenue of RM3.00 billion, up 6% from RM2.82 billion in 2017, supported by higher average throughput across the ports, which offset lower contribution from RAPID MOLF.

The Energy and Utilities division delivered positive earnings with a higher contribution from Gas Malaysia cushioning the impact of SEV's PPA tariff reduction that led to lower contribution from Malakoff. A disciplined allocation of resources as well as a gain on the disposal of shares by Malakoff in Lekir

Bulk Terminal Sdn Bhd in 2018 also helped. In addition, the comparative year's figures had included a settlement received on its dispute with IHI.

The Engineering division presented a stellar set of financial results in 2018, with revenue improving by 50% to reach RM1.89 billion, mainly due to work progress from KVMRT-SSP Line and Langat CSTP project. This was in comparison to RM1.26 billion posted in 2017. Almost all companies under this division fared better in 2018, with significant work progress achieved over the year, and this helped improve net earnings.

Other businesses within the Group performed much better, particularly Senai Airport Terminal Services Sdn Bhd (Senai International Airport) and Aliran Ihsan Resources Berhad (AIR Berhad), details of which are disclosed in later pages.

This segment recorded total revenue of RM95 million, gaining 22% from RM78 million reported in the preceding year.

MANAGING RISKS

We continued to place significant emphasis on active risk management, where we conducted overall risk profile assessments at the Group as well as operational levels to identify material risks and find solutions to resolve or mitigate these issues.

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 mitigated our risks.

We addressed risks associated with concessions by ensuring strict compliance with the stated terms, conditions, and all governing rules stipulated by the authorities must be adhered to. Frequent engagements with the authorities was also a channel for us to communicate our concerns or to resolve matters pertaining to regulatory issues and concessions.

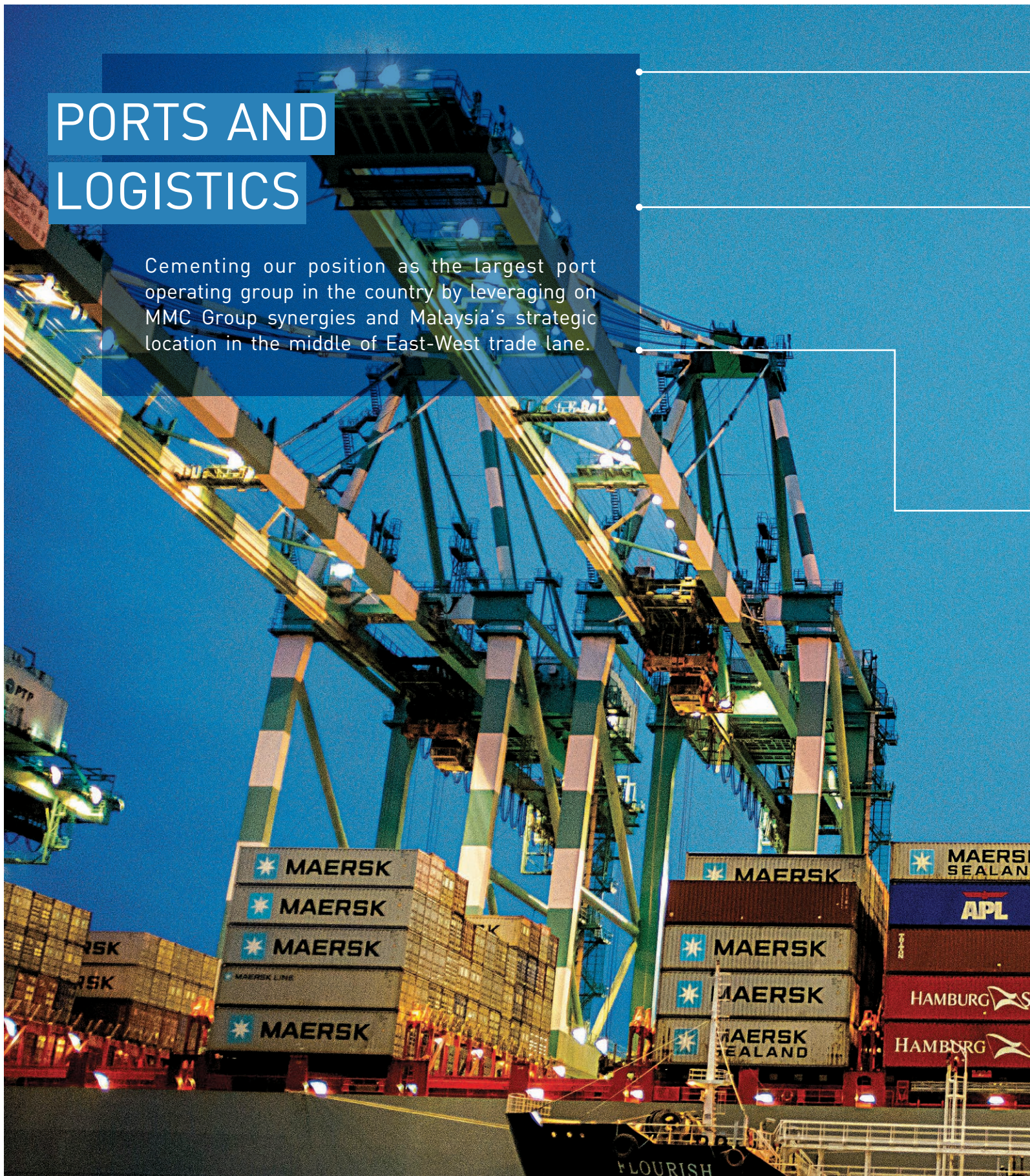
Meanwhile, we also minimised risks relating to business ventures through close monitoring of business operations, by having open discussions and developing strong rapport with our partners.

Operational risks were managed respectively by each operating company and were similarly identified and assessed with findings highlighted to the respective risk management teams for deliberation and implementation of mitigating measures. Much of these pertain to matters relating to health and safety of our employees, contractors, and residents in the surrounding areas where we operate in, or major environmental mishaps.

Risk mitigation strategies included subscribing to regular audits, certifying and complying with international standards for safety and environment, such as ISO 18001 Health & Safety Management System and ISO 14001 Environmental Management Systems, and establishing Health, Safety & Environment committees.

PORTS AND LOGISTICS

Cementing our position as the largest port operating group in the country by leveraging on MMC Group synergies and Malaysia's strategic location in the middle of East-West trade lane.





**RM51
million**

in cost savings
in 2018

Overall Container
Throughput
Increased 3%
year-on-year to

**14.2
million**
TEUs

Overall Conventional
Throughput
Increased 6%
year-on-year to

**38.8
million**
FWT

MANAGEMENT DISCUSSION AND ANALYSIS

PORTS AND LOGISTICS



PORTS AND LOGISTICS

Container and conventional cargo terminal operations remained a growing business sector, underpinned by economic development and buoyed by the dynamics of international trade.

Despite heightened uncertainty in US-China trade relations, which had affected global trade, Malaysia continued to find stability in its sound economic fundamentals and strong global demand for its exports.

It was this underlying domestic economic strength and our commitment to understanding customers' needs, that propelled our Ports and Logistics division forward in 2018.

Revenue for the Ports and Logistics division grew by 6% to RM3.00 billion, compared with RM2.82 billion achieved in 2017. This was driven by continued growth in throughput handled.

The 3% growth in overall container throughput to 14.2 million TEUs was mainly contributed by volume increase in PTP and Johor Port, whereas almost all our ports handled higher conventional cargo volumes during the year to raise total throughput by 6% year-on-year to 38.8 million FWT.

Our ability to meet customers' needs and to execute our services with great precision and efficiency, convinced major liners to continue calling at our ports and thus enabled us to log our highest volumes in five years and achieve new records in transshipment handling.

At the same time, we were able to generate RM51 million in 2018 in cost savings through group synergy, global agreements, and new equipment standardisation, among other things.

Much effort was also put into securing new trade and alliances, to explore new markets and other initiatives to promote our services.

During the year, we completed the acquisition of the remaining 51% interest in Penang Port, which paved the way for a full consolidation of its results.

During for the year, the Ports and Logistics division posted pre-tax profit of RM413 million compared with RM479 million in 2017.

We have since 2018 taken several strategic measures to bolster our revenue and expect to see positive outcomes from these initiatives in the coming years. Incentives and initiatives for strategic clients include plans to divert higher volumes to our ports by leveraging on our Group's strength and collective resources, and negotiations with several main-line operators to shift their services to our ports or to expand their services to other ports within our Group.

In planning for tomorrow's ports, we have undertaken work to expand our infrastructure, capacity and capabilities in handling bigger vessels and more demanding conditions, by harnessing new technologies and innovation, equipping our people with the right skills, and promoting a culture that encourages safety and care for the community and environment. Further details are provided in subsequent sections of this report.

PTP's total
throughput
increased to



9.0 million

**TEUs in 2018 from
8.4 million in 2017**

Pelabuhan Tanjung Pelepas Sdn Bhd

Over the past few years, PTP had made it a priority to continually improve operational capability, efficiency and capacity, and mitigate challenges that come hand in hand with growth, including accommodating larger vessels, significant uplift in container handling and more traffic.

I am pleased to note that PTP has worked hard to accomplish very good progress in this respect, culminating in significant achievements in terms of a sterling set of results for 2018 and a solid track record in handling record-level volumes for mega vessels.

Indeed, PTP arrived at a major milestone when it became the first port in the world to depart a vessel with a final load over 19,000 TEUs. On 18 August 2018, Mumbai Maersk, one of Maersk's 2nd Generation Triple-E vessels, left the port with the record load of 19,038 TEUs. This was but one of several remarkable firsts for the port, one of which was in May 2017 famed for becoming the first port in Southeast Asia to welcome Madrid Maersk, a 20,568 TEU Triple-E class vessel owned by Maersk Line, on its maiden voyage on the Asia - Europe (AE 2) service loop of the 2M alliance network.

In all, there was positive volume growth from all liners over the year, spurred by the synergy from the formation of shipping line alliances such as 2M and Ocean Alliance.

We continue to be encouraged by the commendable total throughput growth of 7% at PTP, reaching 9.0 million TEUs in 2018 from 8.4 million in 2017, reflecting shipping liners' support and growing confidence in the port's ability to meet their needs and deal with increasing volumes.

Transshipment volume grew by 7%, gaining from 2M Alliance's introduction of four new weekly services on Europe Trade. Meanwhile, the 8% increase in local cargo is attributable to the year end upsurge in cargo volume caused by trade diversion as a result of shipping lines network enabler, organic growth and new business for Free Zone as well as various development happening in Johor.

Strong volumes contributed by the major carriers lifted PTP's revenue to RM1.27 billion in 2018, up 7% from RM1.19 billion in 2017, which in turn led to a double-digit improvement in pre-tax profit at RM194 million, a significant gain of 16% from RM167 million a year earlier. Net earnings of RM148 million were 9% above that of the preceding year's RM135 million.

To ensure that the port was able to handle the growing volume, we had invested in additional capacity, consistently prioritised safety, security and reliability of our equipment, and continuously improved our processes. This had, to some extent, led to a slight 3% rise in operational costs to RM619 million in 2018 from RM600 million previously as we booked higher operational staff cost, facilities maintenance and fuel costs.

PTP also continuously carried out maintenance work to ensure equipment reliability, invested in new and upgraded existing equipment, upgraded its wharf and deepened its drafts to accommodate more mega vessels, which appears to be a growing trend in recent years.

MANAGEMENT DISCUSSION AND ANALYSIS

PORTS AND LOGISTICS

Thus far, two berths have been upgraded to enable the installation of the new Triple-E cranes, the draft has been deepened to 18.0 metres, and investment made on a series of equipment refurbishments and acquisitions. To date, RM1.0 billion has been spent on quay cranes, rubber-tyred gantry cranes (RTG), prime movers, berth upgrading and channel deepening, as well as refurbishment of IMPSA quay cranes and RTGs.

With a fleet of 58 quay cranes, 163 units of RTGs and 437 prime movers, as well as a full-capacity berth to cater for mega vessels, equipped with a series of ultra large container vessel cranes, PTP is now one of the best equipped and most technologically advanced terminals in the region with a total capacity of 12.5 million TEUs.

As for the Free Zone area, we were pleased to welcome the Volkswagen Regional Distribution Centre facility, the first facility of its kind in Southeast Asia serving more than 20 markets under a single roof. The facility was completed in November 2018 and has commenced operations in January 2019.

During the year, French sports equipment chain store Decathlon, British-Dutch transnational consumer goods company Unilever, American toymaker Hasbro, American specialty medical devices company Teleflex, Swedish medical device manufacturer Molnlycke, and European paper and packaging firm Antalis, commenced operations at the Free Zone area. Negotiations are on-going with many other global brands on the possibility of setting up their regional facilities in PTP.

Despite our achievements, we remain aware of material risks as well as factors that may affect the port and shipping industry and have taken measures to mitigate the potential impact or outcome, where possible.

Among them is continuous engagement with the relevant authorities regarding development plans and demarcation of free zone boundaries, discussions on future infrastructure development surrounding PTP, and close monitoring of the implementation of terminal operating systems as well as potential cyber security threats.

We are confident that our periodical drill and emergency exercises as well as regular maintenance and assessments, coupled with audits and trainings, both internally and in collaboration with the relevant bodies, significantly lower the risks associated with safety and security as well as address concerns over access control at the port.

Moving on, we expect to see consistent volume and earnings growth in 2019. News of 2M expanding their alliance with new partners to extend their strategic cooperation to cover select 2M services on the Trans-Pacific trade lanes have hit headlines and we expect this development to bode well for PTP.

Meanwhile, local cargo tonnage is also likely to rise in tandem with a growing economy and robust business environment on the domestic front, supported by an expansion in domestic demand.

With the new and upgraded facilities now in place, as well as on-going continuous investment in equipment, we are also expecting to see greater efficiency and further improvement in safe operating capacity. We will also be investing in new equipment as well as refurbishing and upgrading existing ones in 2019. This will complement PTP's earlier upgrading of its berths and channel dredging, which had deepened the draft to 18.0 metres from 16.0 metres previously to enable the port to cater to more mega vessels.

We believe that the way forward isn't merely about investing in equipment, but rather, should also include a dynamic strategy that can adapt quickly to customer needs and promote service excellence and efficiency while not compromising on safety, health and environment.

Our journey to empower the best safety culture carries on this year with various initiatives implemented across the organisation to reinforce the existing policies, processes and monitoring system.

On human capital development, in order to handle increasing volume and other requirement set forth by our customers, we will continue looking at creating the best initiatives to supplement such growth while making certain that the employees are provided with the best tool and support system. This includes an introduction of a new incentive program for our blue collar staff as well as through various other human capital development initiatives with the academia and Technical and Vocational Education and Training (TVET) institutions.

This year, we are also set to embark on the "PTP Way of Working" journey that involves a combination of a standard operating system and a Lean For All problem solving approach. With customer based and continuous improvement culture at PTP, this exciting journey will drive us forward to become more competitive regionally. This in return will enable us to further contribute positively to the economic and social benefits of Johor state, but most importantly to the port's surrounding community.

Last but not least, given the pace at which technological advancements are changing the world, it is imperative for us to remain competitive and attractive. By investing in the latest technology, we are further establishing our terminal as one of the best equipped and most technologically advanced port in the region. This year, we are looking to roll out our new terminal operation system with the implementation of NAVIS N4 as well as finalising the implementation of our new ERP system.

Demographic changes, increased globalisation and regional growth continue to drive the advancement of container transport. Investments in port infrastructure, global supply and demand cycles have also created stiffer competition between ports across the Southeast Asia.

Nevertheless, PTP will continue to build on our performance and continue delivering the service levels and productivity required as we move ahead.

Johor Port Berhad

Johor Port commenced its operations in 1977 as the Southern gateway multi-purpose port in Malaysia and to this day, it remains in an enviable position. Over the years, we have improved our processes and operational efficiency and earned the trust of our stakeholders as we evolved into a major commodity hub with a reputation as the largest Palm Oil Terminal in the world.

For four decades, we have been serving our customers and helping our community to grow in various ways and our driving resolution, which is to connect local businesses to the world and efficiently facilitate international trade, remains the same.

This conviction has helped us earn the trust and confidence of our customers, propelling throughput to reach record levels.

During the year, container throughput grew by 4% while conventional cargo collectively rose by 9%, with increases mainly seen in the Break Bulk and Liquid Bulk segments. Among the key contributors was a surge in cargo volume from a major customer, which drove up non-edible liquid bulk. Import laden containers increased in tandem with manufacturers' demand for raw materials, cocoa beans in bags, aluminium ingot and cocoa products, while products such as resin, palm oil, soap, noodles and steel buoyed exports.

Better throughput figures translated into higher earnings for the cargo handling segment and helped to offset a decline in revenue from Offshore Inspection, Maintenance and Repair (OIMR) and Marine services, as well as lower the revenue from RAPID Project.

Despite the challenges, we posted a commendable overall revenue of RM481 million in 2018 to provide a positive return for the year with profit before tax of RM80 million.

Over the years, we have seen significant domestic economic growth and rapid development in the surrounding areas. To remain relevant and flexible to the dynamic needs of our customers, Johor Port had in recent years embarked on a five-year redevelopment plan that will retain our position as the largest Palm Oil Terminal as well as one of the world's largest London Metal Exchange (LME) locations in the region and preferred port for OIMR activities.

Johor Port handled total container volume of

0.9 million

TEUs and conventional cargo of

19.1 million

FWT in 2018, its highest level in five years.



MANAGEMENT DISCUSSION AND ANALYSIS PORTS AND LOGISTICS

Johor Port encompasses 1,000 acres of land in Pasir Gudang, comprising a 660-acres Free Zone area and five port terminals with 24 berths occupying more than 300 acres, with a capacity of 40 million tonnes.

Based on a study conducted, demand for cargo handling at the port is expected to grow to 62 million MT in 2020 and to increase further to 86 million MT in 2030.

This redevelopment plan will ensure that the port's handling capacity is able to meet the growing demand while maintaining efficient operations by developing two satellite terminals to expand the port's boundaries as well as employing an innovative vertical expansion initiative to create additional warehousing footprint through land optimisation. The two satellite terminals are Tanjung Langsat – Export Processing Zone and Terminal 2 Inland Port. Simultaneously, port facilities, equipment, infrastructure and services will also be upgraded.

Upon full completion of this exercise, Johor Port would have doubled its existing capacity to 80 million MT with an additional storage capacity of 1.3 million square feet. This will be sufficient to cater to demand arising from upcoming developments in Johor such as RAPID Pengerang, Johor Halal Park, Johor Biofuel Hub and others, which will in turn spur further economic activity in the state.

Customer retention strategies have been put in place and measures have been taken to mitigate identified challenges and risks that may arise. Various engagement sessions have been held with our stakeholders to obtain their feedback and as a channel for us to share our vision and plans for the development of the area and contribution to the community.

Among our resource optimisation measures was the relocation of slow-moving cargo away from the prime area to non-prime areas to overcome the shortage of storage area for transit cargo. We also sought replacement cargo to compensate for the decline in cement and clinker throughput as a result of lower demand for those products. Planning for berth occupancy at the Dry and Break Bulk Terminals and the construction of a new Liquid jetty to minimise long vessel waiting time, constituted part of the efforts undertaken.

We also ensured proper planned maintenance to enhance equipment reliability and mitigate the risk of equipment breakdown and disruption to operations. There was also continuous monitoring on performance of contractors and concession – related matters to mitigate any non-conformance in fulfillment of customers' requirement.

The Johor state is seeing tremendous change and continuing rapid development along with expanding economic activities. Therefore, we see immense growth potential for Johor Port in 2019 and subsequent years. Johor Port will remain focused in its role as an intra-Asia hub, as a vital link connecting local businesses to global markets.

We aim to achieve double-digit growth in throughput by sustaining strong relations with our customers and other stakeholders, improving operational efficiency and capacity building, and focusing on opportunities in the region; all of which will contribute towards surpassing the 1 million TEUs throughput mark. As we accelerate our efforts, our optimism and hope of surpassing the 1 million TEUs throughput mark intensify.

Another key strategy to improve earnings will be diversification of our businesses into activities such as Marine services outside Johor Port's boundary, establishing

a virtual terminal at the Muar Furniture Park and Iskandar Halal Park, and development of Tanjung Bruas Port.

We are also looking forward to the opening of PETRONAS Pengerang Integrated Complex's Solid Product Terminal in 2019, as Johor Port has been granted a 25 year concession operate the terminal.

At the same time, we remain mindful of the development in competing areas and will take mitigating measures to minimise any potential impact that may arise.

We have journeyed side-by-side with our employees to reach where we are today, and we remain steadfast in encouraging and supporting them in their quests for personal development and improvement as well as career progression. This would be achieved through our initiatives such as UNCTAD Modern Port Management Programme to strengthen knowledge and skills in port management, Supervisory Development Programme to develop a pool of potential talents for management roles, Young Talent Programme to mould the young generation, and the Pilot Development Programme to equip pilots with the necessary pilotage proficiency and licenses.

Through the years, we have actively bonded with our community through various initiatives as they clearly play a significant role in our overall development. Our commitment to help our community through outreach programmes will continue as we find more ways to give back to society.

Northport (Malaysia) Bhd

Northport delivered another year of positive earnings in 2018, with commendable growth in certain segments, such as conventional cargo and RoRo. However, overall container revenue reflected the performance of some shipping lines during the year as well as continuing impact from the



restructuring of world's major alliances, which had resulted in diversion of throughput to competing ports.

In 2018, the world's sixth largest container carrier, Ocean Network Express (ONE) alliance, announced that its performance was affected by lower-than-expected volume and rising bunker prices, resulting in a slump in its volume of US imports from Asia.

As disclosed in our previous annual report, the reshuffling of alliance networks last year and the collaboration by ONE and PSA Singapore to form a joint venture company based at Pasir Panjang Terminal in Singapore had diverted significant volume from Port Klang to Singapore.

Northport undertook various efforts during the year to mitigate the impact of the 2017 alliance reshuffle. Such initiatives helped us retain major customers and draw in new ones but

these have yet to translate into a corresponding rise in revenue. This, coupled with the lower volume from ONE, weighed on container revenue in 2018.

The 6% reduction in container throughput at Northport to 2.79 million TEUs was cushioned by an additional 278,000 TEUs contributed by seven new services in 2018, an improvement in conventional cargo and exceptional performance by the RoRo segment.

Meanwhile, conventional cargo volume rose to its highest level in five years, gaining 6% year-on-year to peak at 8.6 million FWT in 2018. The performance was bolstered by a double-digit growth of 13% in the Liquid Bulk segment from higher throughput of palm oil and petroleum products. The higher throughput of palm oil products was driven by the Government's policy of promoting palm oil exports to various countries. Break Bulk, Dry Bulk and Liquid Bulk each

accounted for about 30% of total cargo volume handled in 2018, with the rest from the RoRo segment.

The RoRo business was also riding a wave of growth with a healthy 15% increase in volume, buoyed by higher handling of automobile transshipment and Completely Built Up (CBU) vehicle imports, which rose substantially over the year after Eastern Car Liner and MOL ACE made Northport their secondary RoRo Transshipment Hub. Northport also commenced the handling of Proton X70 CBU units in December 2018.

Overall, Northport's revenue dipped 5% to RM649 million in fiscal 2018, from RM677 in 2017, as Container Services revenue eased 8% over the year but this was cushioned by the increase in conventional revenue by 9%.

MANAGEMENT DISCUSSION AND ANALYSIS PORTS AND LOGISTICS

In 2018, much effort was also placed on streamlining internal processes, consolidation and renegotiation of contracts to keep costs at manageable levels, but we had to contend with higher finance costs. Hence, expenditures remained largely unchanged at around RM566 million for 2018.

We delivered pre-tax profit of RM77 million in 2018 compared to the preceding year's RM111 million, and after-tax profit of RM61 million against RM103 million previously.

We reached a significant milestone in March 2018 with the signing of the 30-year Privatisation Agreement with the Government of Malaysia and Port Kelang Authority, giving Northport a 30-year extension on its concession to operate Northport and Southpoint in Port Klang, Selangor. Port Klang is the country's largest port and is currently ranked the world's 12th biggest container port, making it a pivotal gateway for the country and international trade.

Another notable development was the signing of an MoU between Northport, Cenengi Sea Sdn Bhd, Bioenergy Machinery Sdn Bhd and Environmental Preservation and Innovation Centre Sdn Bhd to establish the Biomass Logistics Hub at Southpoint.

To retain our position, Northport invested much effort to sign long-term Terminal Services Agreements with major liners; established the Halal Silk Route into China in collaboration with Malaysia External Trade Development Corporation and Weifang Sime Darby Port; and set up a dedicated car terminal to cater for RoRo and automobile transhipment.

There has been growing interest in the global halal market, which is anticipated to hit US\$481.1 billion by 2021, thus we see immense opportunity in the promotion of the Halal Silk Route.

As we sail into a new year, we remain steadfast in our commitment to continuously improve our services and efficiency, putting much effort into increasing terminal capacity and facilities to accommodate larger vessels.

As of 26 March 2019, we have upgraded Wharf 8 to increase the quay length to 513 metres and deepen the draft to 17 metres. Northport container operation is also boosted with the delivery of 6 units of quay cranes comprising 2 units of 24-across twin-lift with 70 tonnes lifting capacity and 4 units of 18-across twin-lift with 55 tonnes lifting capacity.

Plans are also afoot to rehabilitate the container building and associated works at Container Terminal 2, replace the crane rail and associated works at the Dry Bulk Terminal, rehabilitate part of the conventional yardstore, upgrade the underwharf at one of our berths, and other repair works.

These measures will help us to prepare for an anticipated rebound in transhipment and upsurge in conventional cargo volume in 2019.

In addition to the continuing business with existing shipping lines, we are also approaching liners for more local cargo, Detention-in-Transit business, Empty Container (MT) re-positioning, Out-of-Gauge transhipment and Phase-in Phase-out activities, as well as holding discussions with main-line operators and feeder operators to convince them to use Northport as their preferred terminal in Port Klang.

We foresee increased shipping frequency from our strategic alliance in The East Malaysia Network or TEAM Network, a collaboration with Shin Yang Group and Harbour Link Group aimed at achieving economies of scale through sharing of resources. Through TEAM Network, we hope to support main-line operators' regional businesses into East Malaysia, which is currently being handled via neighbouring ports.

NORTHPORT:

Conventional
Cargo Volume achieved

8.6 million

FWT in 2018, gaining
6% year-on-year to
reach its highest level
in five years



NORTHPORT:

RoRo business
grew a healthy

**15%
increase**
in volume



Regional networks are now gaining more prominence and seeing greater interest from customers. This will heighten demand for smaller vessels, which are more suited for regional trades. To this end, Northport is focusing on Intra-Asia trade as it is well-suited to facilitate and be the hub for such services.

Northport plans to capitalise on this and woo smaller vessels to its terminal, at the same time, retain its existing arrangements with major liners by improving on capacity and efficiency. The port currently has a container capacity of 5.6 million TEUs and a conventional cargo capacity of 12.8 million FWT.

We foresee the continuous domestic demand for iron and steel will sustain our Break Bulk segment in maintaining positive growth; while the Liquid Bulk segment is likely to continue enjoying strong volumes in palm oil cargoes.

Therefore, our planned enhancements in 2019 will include improving efficiency at the conventional cargo berths to overcome berthing limitations and counter competing services from other ports and private jetties. We are also in the midst of rejuvenating Southpoint and maximising its current capacity by converting it into a Biomass Logistics Hub. Northport's dedicated RoRo Terminal is also likely to yield positive results in 2019.

We will benefit from the container tariff increase this year following the implementation of the new tariff effective 1 March 2019 that was deferred from September 2018.

Northport also has the added advantage of group synergy by leveraging on MMC Ports to encourage regional carriers to include Northport in their service routes.

Northport is anticipated to see better performance in 2019 but we believe that our success over the long term is based on the enduring quality of our relationships with our stakeholders.

Hence, we will continue to place significant emphasis on engaging with our stakeholders, including our customers, government agencies, our contractors and service providers, the communities around us, and most importantly our employees, through various communication channels.

Penang Port Sdn Bhd

Penang Port has earned its place as a gateway to Northern Peninsular Malaysia for various imports and exports by sea and a vital connection between businesses and our growing population. The port, which has a total capacity of 2.07 million TEUs, handles import, export and transshipment activities at the North Butterworth Container Terminal and also other local cargoes through the Butterworth Wharves Cargo Terminal,

Prai Bulk Cargo Terminal and Prai Wharves. Its Swettenham Pier Cruise Terminal (SPCT) welcomes passengers as a point of transit for major cruise liners.

The port's importance is reflected in the consistently high throughput, from manufacturing industries in Penang, Kedah and Thailand.

The 2018 total container throughput of 1.5 million TEUs was largely consistent with that achieved in 2017, partly influenced by the US-China trade tensions that had affected global trading sentiment and pressured the volume of export from southern Thailand. Exports of wood mouldings and rubber wood were comparatively lower in the wake of weaker demand from China's furniture industry.

The Thai market is an important contributor to Penang Port's revenue, as it makes up a large segment of the container business, with about half being transported by rail via Padang Besar and Surat Thani, a third by road via Bukit Kayu Hitam, Betong and Padang Besar, and the rest shipped by barge via Kantang to Penang.

It was also encouraging to see several new services calling at our port, plying the India, East Africa, Vietnam, Singapore and several domestic routes.

Meanwhile, the conventional cargo segment grew slightly over the year. Total conventional cargo volume rose by almost 4% to 10.4 FWT, from about 10.0 million FWT previously, fuelled mainly by an increase in commodities such as steel packages and billets, wood moulding and fibreboard, mineral ores and armour rocks.

Meanwhile, SPCT registered the arrival of almost 1.1 million passengers in 2018, comprising passengers from international cruise ships, home port cruises and cruises to nowhere as well as the regional ferry. There was an overall increase of 8% in vessel calls in 2018.

Penang Port has always endeavoured to deliver efficient service and this has driven us to continuously improve in our productivity, capacity and capabilities by investing in equipment, infrastructure as well as people.

Penang Port implemented many new initiatives to improve terminal productivity and capacity. These include improvement in shift changes, the introduction of Quay Commander and implementation of the Yard Marshall at our terminal. These initiatives yielded positive results in the form of higher crane and berth productivity enabling us to consistently achieve 25 moves per hour as well as to improve on yard operations.

MANAGEMENT DISCUSSION AND ANALYSIS PORTS AND LOGISTICS



In October 2018, we commenced work on berth rehabilitation at North Butterworth Container Terminal, to be completed in four phases over a period of 24 months. This engineering project budgeted at RM155 million will see the current capacity increase from 2 million TEUs to 2.3 million TEUs and will help Penang Port to significantly minimise its capital expenditures on capacity expansion. We also reviewed operational protocols including ground handling issues and ensured compliance to matters relating to safety.

A notable development was our agreement with Royal Caribbean Cruises Ltd in September 2018 to jointly invest RM155 million to redevelop and expand SPCT, including extending the existing berth to accommodate the latter's new mega cruise ships and increasing the terminal handling capacity to 12,000 passengers.

We had also upgraded our quality management system certification in 2018 to ISO 9001:2015 to reflect our commitment to consistent, quality services.

Various engagement sessions were also held with key stakeholders including shipping companies and operators, importers and exporters, forwarding agents, hauliers, and other parties to discuss matters pertaining to services,

protocols and regulatory matters and to address operational issues that arise. Such meetings have helped us understand customer needs and expectations, enabling us to find ways to meet these needs and in doing so heightened customer satisfaction and retained their loyalty and support.

We begin the new year by reviewing the targets we have set for ourselves, anticipating a stronger performance in 2019, with the entry of several new shippers like Scandinavian IBS Sdn Bhd, IKEA South East Asia, Zhejiang XSD Holding Group and Modenas Gurun, and with improved operational efficiency at the terminal. Therefore, container throughput is poised to rise in 2019 whilst conventional cargo volume would likely edge upwards.

The conventional cargo terminal is expecting new shippers Scandinavian IBS Sdn Bhd, Access World and Cement Industries of Malaysia Berhad to come on board in 2019. This is expected to increase the shipment of commodities such as modular housing, cement clinker and rubber cup lump. Further increases in commodities may catapult cargo volumes while the availability of new equipment in the form of a third mobile harbour crane for Prai Bulk Cargo Terminal will improve efficiency.

Tanjung Bruas Port Sdn Bhd

Following its exceptional showing in 2017, we are pleased that Tanjung Bruas Port managed to sustain its performance in 2018 with trade volumes handled and financial achievements despite the challenges posed by domestic economic landscape.

During the year, Tanjung Bruas Port's throughput volumes eased slightly to 710,392 FWT, from 831,000 FWT previously, influenced by macroeconomic dynamics domestically. However, this was mitigated by frequent customer engagement and customer retention strategies, port development and process improvement.

Overall total revenue remained stable at RM13 million in 2018 with profit before tax of RM5 million. This was consistent with the RM14 million in revenue and RM5 million in pre-tax profit achieved a year earlier. As a result of our operational performance and cost management, we managed to sustain a commendable pre-tax margin.

Various engagement channels were used to communicate with our customers, such as courtesy visits, meetings and via electronic communications, as we continuously sought feedback to resolve commercial or operational issues that may arise and to promote our services.

Tanjung Bruas Port currently has one jetty that can accommodate small to mid-sized, ocean-going vessels of up to 170 metres in length and up to 40,000 Deadweight Tonnage capacity. Its inner berth can dock vessels below 90 metres in length.

To better optimise our resources, we have established procedures to utilise the inner jetty for vessels above 70 metres but not exceeding 90 metres length overall, including setting out the conditions on berthing with two tugs, berthing during slack water, and berthing during day light. This helped to minimise the risk of long vessel waiting time for vessels at anchorage.

Other port development efforts undertaken included the creation of an open yard to handle Dry Bulk cargo to increase handling capacity and modernisation to increase efficiency and reduce costs. Safety and security remained a key priority and was further enhanced with the formation of an Emergency Response Plan and other safety procedures.

To mitigate any social impact on the surrounding communities, we took proactive steps to establish standard operating procedures for steam coal handling, outlining a more systematic and compliant standard to environmental management.

These and other measures undertaken will enable the port to grow stronger in 2019.

We are confident that our management and business strategies, the possible tariff revision, and continued support from customers will help us achieve the targets that we have set for ourselves.

One of our key strategies is to act as a feeder for manufacturers in the surrounding industrial areas to transport their containers to Port Klang for onward shipping. We will also be capitalising on the potential growth of the RoRo shipping business in view of our connectivity advantage with Dumai, Indonesia.

Meanwhile, we will continue with our talent development initiatives to arm our employees with the necessary core competencies and our Corporate Social Responsibility (CSR) programmes to support the community and the less fortunate.

Kontena Nasional Berhad

Having strengthened its financial position over the past few years, Kontena Nasional continued with its rationalisation process in 2018 by reviewing and reducing its loss-making activities and focusing on stronger segments of the business, such as freight forwarding and warehousing.

Despite the challenging conditions, our logistics group generated revenue of RM204 million in 2018 to yield a gross profit of RM37 million. Given the circumstances and economic landscape, this was a decent performance albeit slightly lower than 2017. Previously, Kontena Nasional Group posted revenue of RM251 million and gross profit of RM44 million.

However, at the bottom line, PBZT still remained in the red at RM9 million, a tad better than the RM11 million loss recorded in 2017. This is attributable to the lower Loss Before Zakat and Taxation in Kontena Nasional Berhad of RM13 million compared to RM39 million loss in 2017, set-off by contribution from Kontena Nasional Global Logistics Sdn Bhd (KNGL) in 2018. KNGL's profit before zakat and taxation narrowed to RM4 million from RM18 million a year earlier as revenue declined at a faster pace than operational cost.

At the company level, Kontena Nasional posted a slightly lower revenue of RM88 million in 2018 but cut operational cost by a hefty 19% to RM82 million to record a positive EBITDA of RM5 million, turning around from negative EBITDA of RM10 million a year earlier. After taking into account the amortisation, depreciation and finance cost, we managed to narrow the loss before tax to RM13 million from a loss of RM29 million previously.

Kontena Nasional is currently in the midst of implementing continuous turnaround plan, centred around scaling down our loss-making operations. As at December 2018, we have closed our trucking division and Ipoh branch. Down south, our Johor Bahru branch no longer provides haulage services but instead will focus on specialised transport businesses, such as the skid tank business. Concurrently, we have also undertaken initiatives to improve our operational efficiency as well as customer service.

With these measures, Kontena Nasional is likely to emerge stronger and as we proceed further with our rationalisation process, the Kontena Nasional Group is expected to break-even in 2019, supported mainly by the freight forwarding and warehousing businesses.

We have in recent years been working on rationalising our haulage business, while expanding our skid transport project and warehousing operations, along with a cohesive effort to woo warehousing customers, which is anticipated to translate in higher revenues in the coming year.

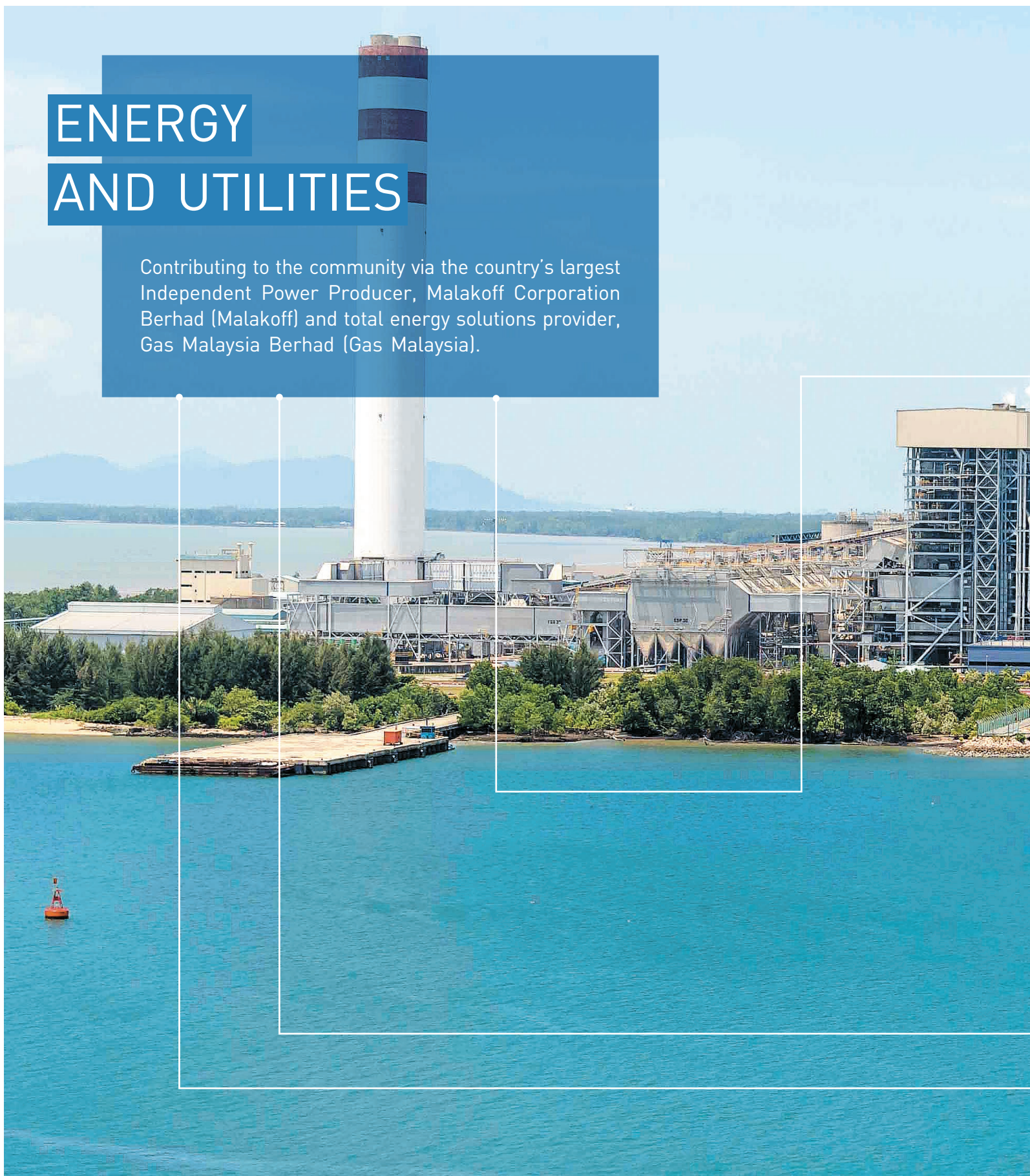
Via turnaround plan, we currently have a leaner haulage and trucking fleet of about 1,200 compared with 2,350 vehicles of prime mover, box vans, conventional trucks, curtain siders and tipper dumpers in 2017. Even with a much smaller fleet, Kontena Nasional achieved commendable throughput of approximately 80,000 TEUs in 2018, compared with 92,749 TEUs in 2017.

In 2018, there remained significant interest in Kontena Nasional's 4.7 million square feet area of open yard and 1 million square feet of warehouse area, with occupancy rates at 62% compared to 75% in 2017. However, we expect to see this increasing further in the subsequent year.

Moving forward, Kontena Nasional Group will continuously improve the quality of its services to ensure that our customers' logistics needs are met with consistent efficiency and reliability. Our achievements of quality standard MS ISO 9001:2015 certification in 2017 and 2018, as well as Halal Logistic Assurance MS2400-1:2010 spur us forward to ensure a consistent standard of delivery in our services.

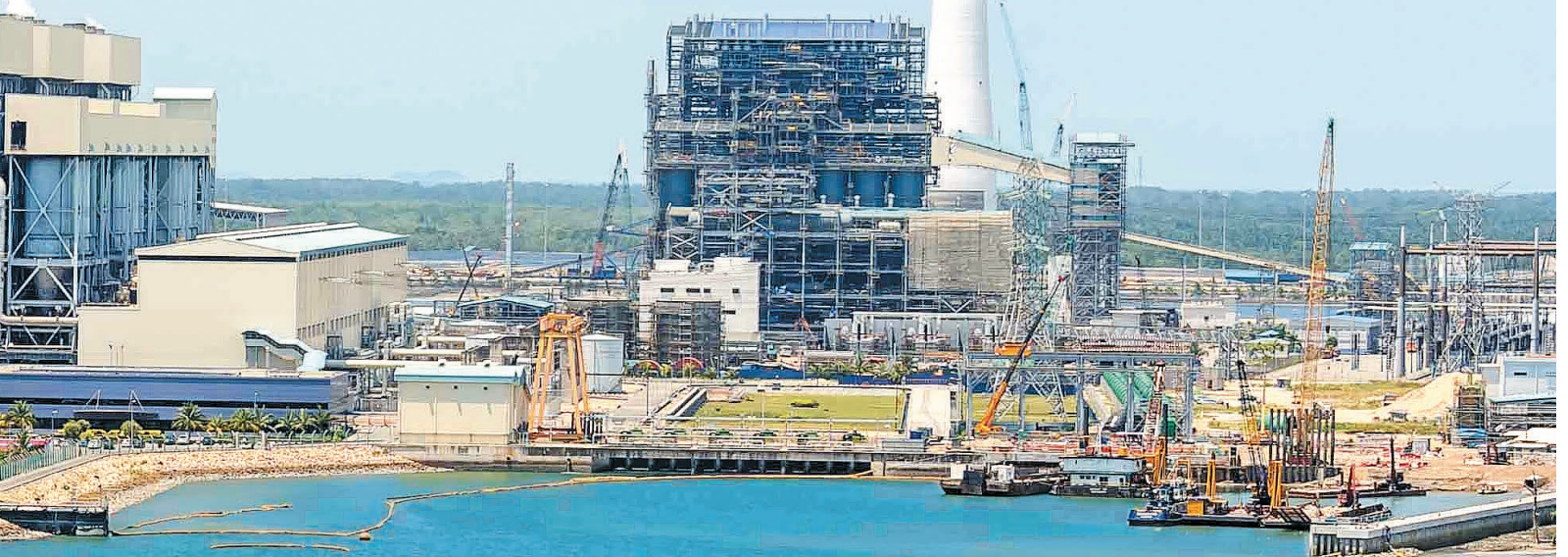
ENERGY AND UTILITIES

Contributing to the community via the country's largest Independent Power Producer, Malakoff Corporation Berhad (Malakoff) and total energy solutions provider, Gas Malaysia Berhad (Gas Malaysia).



Profit Before Zakat
and Taxation of

RM146
million
for 2018



Malakoff's Gross
Power Capacity
in Malaysia of

8,249
MW

Gas Malaysia's total
length of Natural Gas
Distribution System
network is

2,334
Kilometres

MANAGEMENT DISCUSSION AND ANALYSIS

ENERGY AND UTILITIES



ENERGY AND UTILITIES

We believe that power generation has a purpose far greater than merely energising the nation and the rakyat. Instead, what matters more is our contribution to the community and nation building, channelling our efforts for the collective benefit of all so that we too may progress together with the nation.

Our Energy and Utilities division comprises two key players in the industry, namely the country's largest independent power producer Malakoff and total energy solutions provider Gas Malaysia, both of which contribute a share of profits to our bottom line.

Every year, our Energy and Utilities division contributes to nation building by creating thousands of jobs as well as generating and supplying energy to power homes, commercial and industrial activities. We have also accelerated our efforts

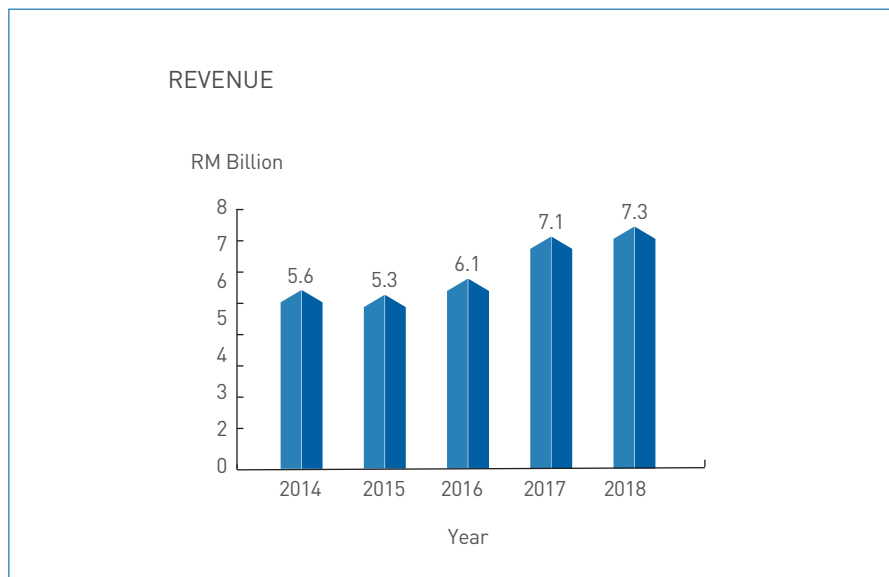
in exploring initiatives and alternatives in RE for a greener future.

In our drive to improve on our delivery, we never lose sight of our key priorities, which include creating shared value for our stakeholders as well as ensuring the safety and well-being of our employees and community, and environmental preservation.

Set against a backdrop of stable economic growth and sustained demand for energy, our Energy and Utilities division managed to continue enjoying a consistent income stream.

With domestic electricity demand anticipated to grow around 2% and an increasing interest in natural gas as an alternative fuel of choice, we foresee that energy and utilities will remain as an important industry for us and for the economy, signalling continuing bright prospects for the Group.

Malakoff achieved revenue of RM7.35 billion in 2018



Given the changing dynamics of the power industry, a slight shift in priorities was seen in 2018, with Malakoff venturing into new opportunities in Waste Management and Environmental Services and Renewable Energy.

Malakoff Corporation Berhad

Malakoff delivered stable financial results in 2018 amid steady demand for electricity in the country and we expect the company to continue generating strong returns with electricity consumption in Malaysia likely to grow at a steady rate of 0.5% to 2% in 2019.

During the year, revenue edged up 3.1% due to higher energy payment recorded from Tanjung Bin Power Sdn Bhd (TBP) and Tanjung Bin Energy Sdn Bhd (TBE) coal plants on the back of higher applicable coal price and the increase in natural gas tariff for Segari Energy Ventures Sdn. Bhd. (SEV) under the extended PPA. The receipts more than offset SEV's lower capacity payment resulting in overall revenue rising to RM7.35 billion in 2018, from RM7.13 billion in the preceding year.

A key factor that influenced earnings was the revision of SEV's extended PPA, which took effect in mid-2017, involving a tariff revision that reduced capacity payment and hence, pressured earnings for the year. The impact was however cushioned by a reduction in operations,

maintenance and finance costs as well as lower depreciation costs due to a revision in the useful lives of C-inspection for gas plant assets.

Malakoff also posted a gain of RM55 million from the sale of its 20% equity interest in Lekir Bulk Terminal Sdn Bhd (LBT). The disposal was part of the company's efforts to rationalise its investments and focus on higher growth areas. The shares in LBT were sold to Pelabuhan Lumut Sdn Bhd for RM90 million.

Pre-tax profit decreased to RM559 million in 2018, from RM575 million in 2017 during which Tanjung Bin Power Sdn Bhd (TBP) had also received a compensation sum as settlement of its dispute with IHI over the former's boiler failure.

Several key developments that impacted our business operations and strategies include the Government's new direction for the power industry following a change in administration, reform of the domestic electric supply sector focusing on sustainable power generation and

RE as well as the Government's efforts to improve solid waste management.

Malakoff's core businesses are power generation, water desalination, and operations and maintenance (O&M) services. Given the changing dynamics of the power industry, a slight shift in priorities was seen in 2018, with Malakoff venturing into new opportunities in Waste Management and Environmental Services and RE.

A significant milestone was achieved with Malakoff's on-going RM945 million acquisition of Alam Flora Sdn Bhd, which is expected to broaden our earnings base and help sustain long-term growth. Alam Flora's operations also complement Malakoff's energy business as the exposure to waste management paves the way for our eventual entry into the Waste-to-Energy space in the longer term.

There was also a gradual transition towards RE in order to generate clean, low-cost energy in times to come to power homes, businesses and industries. We have increasingly placed greater emphasis on RE, spurred by new policies

MANAGEMENT DISCUSSION AND ANALYSIS

ENERGY AND UTILITIES

such as Net Energy Metering, Green Investment Tax Allowance and Green Income Tax Exemption.

Malakoff's O&M contract to operate a 29MW solar photovoltaic power plant in Kota Tinggi, Johor, marked our first foray into the O&M of RE assets. The agreement with ZEC Solar Sdn Bhd involved a 21-year O&M contract.

We also inked an MoU with Touch Meccanica to collaborate in the development of several RE projects in Pahang and a joint development agreement with Concord Alliance Sdn Bhd to explore and develop biogas-based power generation projects. Malakoff currently owns a 50% interest in Australia's Macarthur Wind Farm, with an effective generation capacity of 210MW.

We remain confident that 2019 will produce positive results for Malakoff, supported by a growing population and a robust economic environment to sustain stable demand for energy. Greater participation in RE projects will also yield positive results. The Government recently launched an open tender for the third cycle of the large-scale solar projects, with a total generating capacity of 500MW worth an estimated RM2 billion. This is part of the Government's objective to increase the RE portion of the country's total energy generation mix to 20% by 2025. Opportunities have also been identified in other upcoming RE projects under the Feed-in-Tariff programme, small-scale hydro projects, and biogas ventures.

Training and development for our 1000-strong workforce at Malakoff will continue to be a key initiative of the Group, as we build up a high-performance team to continue providing consistent services with efficiency and efficacy of the highest level.

Gas Malaysia Berhad

Despite the testing business environment in 2018, we are pleased to note that Gas Malaysia successfully leveraged on sound fundamentals and implemented prudent management strategies to overcome challenges and achieve commendable success.

Gas Malaysia's 2018 financial results came in well within expectations and earnings for the year under review improved further from that achieved in the preceding year. In 2018, Gas Malaysia posted a staggering 17.3% revenue growth, improving to RM6.23 billion from RM5.31 billion in the preceding year. The increase in revenue was attributable to a number of key contributing factors, among which was the increase in volume of gas sold to customers.

For the period under review, volume of gas sold increased by 5.4% to 193.85 million MMBtu from 183.90 million MMBtu the previous year.

In addition to the increase in gas volume sold, the other contributing factor to the higher revenue was the two effective tariff revisions in 2018. With effect from

1 January 2018, effective tariff was revised to RM32.52/MMBtu, from RM26.46 previously, and subsequently to RM32.69/MMBtu effective 1 July 2018.

Consequently, 2018 net profit jumped by 11.9% to RM180 million, from RM161 million (restated) in the preceding year.

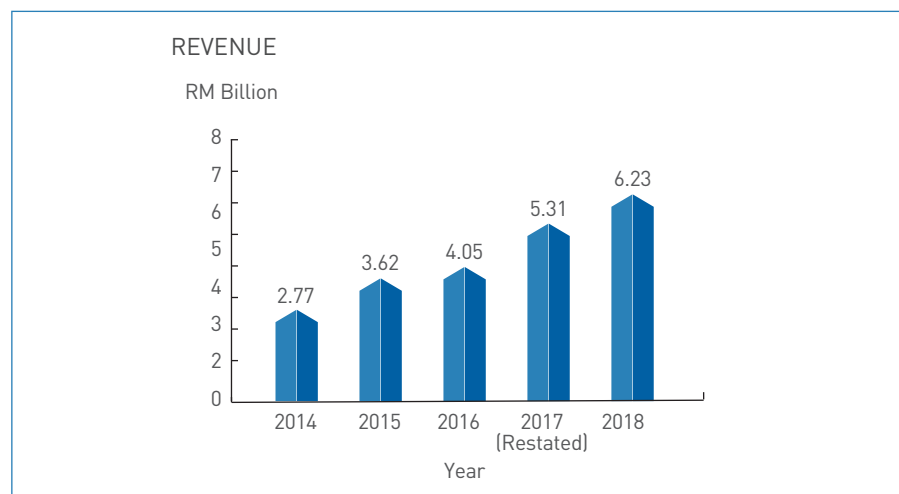
The growth was clearly supported by a strong customer base, which stood at 37,922 at end 2018, comprising those from the industrial, commercial as well as residential sectors. By pursuing marketing efforts and timely completion of pipeline infrastructure development, we were able to acquire 45 new industrial customers, 448 new commercial customers and 2,569 new residential customers.

Industrial customers remained the largest consumers, accounting for about 99% of total gas sold, while the rest were taken up by commercial and residential customers.

To further extend our reach and supply reliability, we continued to expand the Natural Gas Distribution System (NGDS) network over the year by another 91



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193.85
million MMBtu

kilometres, bringing the total length of gas pipeline in operation to 2,334 kilometres.

Of significance was the February ground-breaking ceremony at Kinta Valley, Perak, to mark the construction of 140 kilometres of NGDS network within the state of Perak, a notable event which was attended by officials from the Ministry of International Trade and Industry and the Perak State Government. The NGDS network will cover areas such as Chemor, Meru, Ipoh, Lahat, Bemban, Seri Iskandar, Desa Seri, Bayu, Ayer Tawar, Bercham and Simpang Pulai. As at 31 December 2018, 78 kilometres of the NGDS network have been successfully constructed and we expect to complete the entire project progressively by end 2019.

Another important milestone was the signing of an MoU with Tokyo Gas Co. Ltd. in July 2018 to establish a synergistic partnership for the development of a natural gas value chain covering most of the countries in the South East Asia region. This collaboration will be mutually beneficial to both parties in relation to any related new investments.

Meanwhile, we continue to focus on our delivery and maintain high standards of service, management and safety. We are pleased to note that Gas Malaysia has successfully retained the ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), OHSAS 18001:2007 (Occupational Health & Safety Management System), and ISO/IEC 27001:2013 (Information Security Management System) certifications from SIRIM, Malaysia's leading certification, inspection and testing body. This marked our 19th consecutive year of successfully sustaining our internationally-recognised management system standards, a record that we have initiated since year 2000.

With 26 years of industry experience, supply reliability has long been our benchmark in sustaining the quality of our business operations and has never been compromised under any circumstances. Premised on this, we strive to ensure safe and reliable delivery of natural gas to local industries, commercial businesses and homes. In doing so, we have successfully maintained a supply reliability rate of 99%.

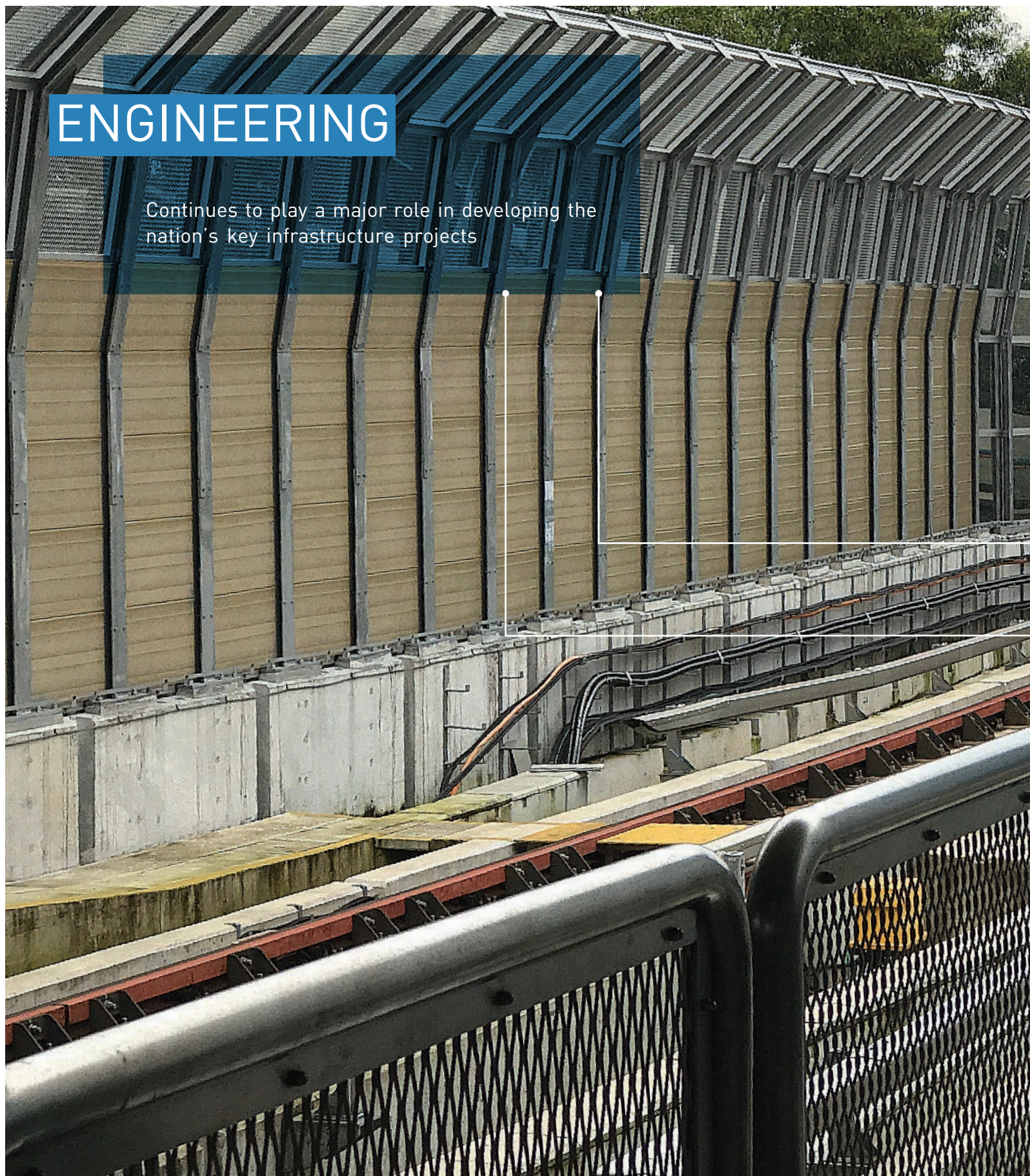
Looking ahead, we are optimistic about the prospects for the natural gas sector as we foresee stable demand from existing users and anticipate the securing of new customers arising from our aggressive marketing efforts. This is likely to ensure steady growth in gas volume in 2019.

At the same time, Gas Malaysia will further strengthen its subsidiary and joint venture entities, namely Gas Malaysia Virtual Pipeline Sdn Bhd, Gas Malaysia Energy Advance Sdn Bhd, Sime Darby Gas Malaysia BioCNG Sdn Bhd, and the newly-added Gas Malaysia Synergy Drive Sdn Bhd, to enable its non-core activities to generate more meaningful contribution to Gas Malaysia's revenue in the long term.

Our aim is to maintain a well-balanced growth strategy, currently relying mainly on our core business but substantially increasing our efforts to grow our presence in the non-regulated sphere (non-core business).

ENGINEERING

Continues to play a major role in developing the nation's key infrastructure projects



Revenue growth of
50% year-on-year
to reach

**RM1.89
billion**
in 2018

On-Going Mega
Projects

**~RM39.0
billion**

Total Project Value

MANAGEMENT DISCUSSION AND ANALYSIS

ENGINEERING

ENGINEERING

With every project we undertake, we foster closer relationships with our community and strengthen our partnerships with our stakeholders, and in the process, contribute to nation building as well as achieve organisational growth.

With the understanding of local residents, collaboration with our partners, and support from all stakeholders, we were able to employ our engineering talent to complete a number of technically challenging projects over the years, such as the KVMRT SBK Line, which served to improve living standards for everyone and contribute further to the country's development.

In 2018, we worked tirelessly to find solutions to overcome technical challenges but yet attenuate risks to the environment and safety of our employees, and in doing so successfully completed a number of projects, such as the Pengerang Cogeneration Plant and PTP Berths 5 and 6 upgrading projects.

A key challenge was the significant changes in new government policies that resulted in the deferment or postponement of several large public infrastructure projects i.e. MRT3, ECRL, HSR, etc.

After much discussions and negotiations with the new Government to achieve collaborative value creation, we were able to retain our participation in some key projects and entrusted with the task of implementing the RM30.53 billion MRT2 project, including the RM13.11 billion underground work under Turnkey contract, jointly with our partner Gamuda Berhad. Our agility in adapting to changes and our ability to overcome challenges in stride enabled us to emerge stronger.

Meanwhile, several major infrastructure projects currently undertaken by our Engineering division are still on-going, such as the RM1.5 billion Langat CSTP, the RM994 million Langat 2 Water Treatment Plant, and other initiatives for the betterment of the community. We are pleased to note that these projects are progressing well and on track.



These collective efforts translated to higher earnings, with the Engineering division posting overall revenue growth of 50% to reach RM1.89 billion, in comparison with the RM1.26 billion income recorded a year earlier. Pre-tax profit was also higher at RM292 million, gaining 51% from RM194 million in 2017, buoyed by income from completed projects and significant work progress at on-going developments.

The Engineering division will remain a key income contributor for the Group in the coming year, with on-going project developments, new responsibilities undertaken, and our efforts to aggressively pursue potential projects.

We have identified a number of potential projects that we intend to pursue, involving development of water treatment plants; engineering, procurement and construction of gas pipelines; infrastructure development and other construction projects; which will enable us to widen our portfolio and generate future earnings for the Group.





As we embrace a new year, we also press forward with our resources, experience and expertise to strengthen our role in complementing large infrastructure road projects such as the Pan Borneo Highway Sabah. As of end 2018, 12 out of 35 packages have been awarded and construction is expected to speed up this year.

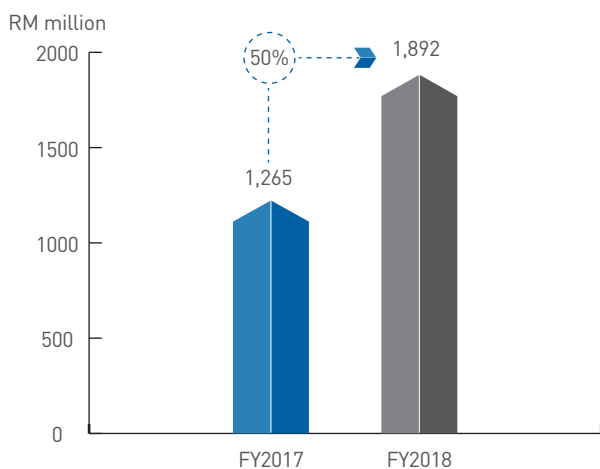
MMC Engineering Sdn Bhd

In 2018, we focused on ensuring timely completion of the on-going infrastructure projects and to solve complex challenges that arose, thus resulting in a stronger performance for MMC Engineering Sdn Bhd (MMCE).

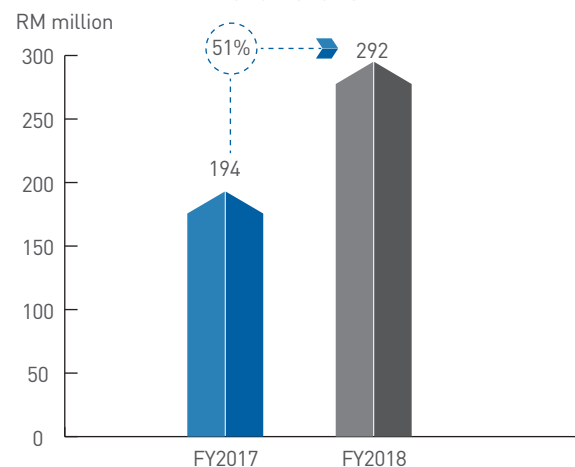
Higher cumulative work progress at the Langat CSTP as well as the completion of a couple of major projects helped MMCE achieve higher revenue of RM418 million in 2018, up from RM277 million a year earlier.

The lower recognition of Langat Sewerage Project is buffered by several factors namely lower administrative expenses, revenues from the co-generation project and North Butterworth Container Terminal; as well as dividend contribution from Langat 2 Water Treatment Plant project. Consequently, pre-tax profit narrowed to RM11 million from RM17 million previously.

MMC Group Engineering Division Revenue

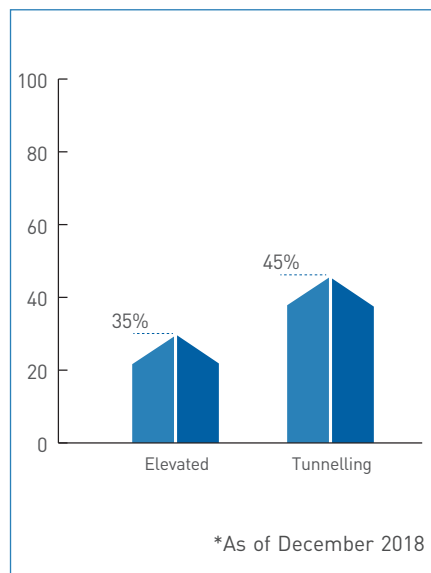


MMC Group Engineering Division Profit Before Zakat and Taxation



MANAGEMENT DISCUSSION AND ANALYSIS ENGINEERING

KVMRT Project Progress



We are pleased with the timely progress of our on-going projects. By end-2018, we had completed the Engineering, Procurement, Construction and Commissioning Project to build the 1,200 megawatt (MW) Cogeneration Plant in Pengerang for PETRONAS. The wharf upgrading works at PTP's Berth 5 and Berth 6 was similarly concluded in 2018.

MMCE's involvement in the RM60 million irrigation projects from the Ministry of Agriculture and Agro-based Industry, or the Muda Irrigation Scheme, is to construct and supervise of all civil works relating to earthworks, roads and drainages, and tertiary irrigation canals. State-of-the-art cropping technology will be used to increase the irrigation intensity with the aim of boosting the yield of rice production in the Muda area. As of end 2018, more than 80% of the project has been completed.

The Langat 2 Water Treatment Plant and the Tanjung Bruas Port Phase 2 expansion in Melaka, both of which are nearing completion, also provided respectable contribution to MMCE's earnings.

New contracts were also secured during the year. Among them was the upgrading project at North Butterworth Container Terminal for Penang Port for RM155 million.

We have also exercised appropriate judgement and prudent management of resources to keep operating costs at bay, while simultaneously leveraging on the synergy of the MMC Group to manage our procurement costs.

As we turn the page to a new year, we aim to move forward and help our customers achieve their goals with timely progress and delivery of completed projects and precise execution of solutions. We plan to accomplish this by closely tracking work progress at our projects and managing cost to minimise the risk of project delays and cost overruns. We will continue to communicate and address the unique needs of our stakeholders, upskill our employees, and always put safety above all.

Plans are also afoot to explore more opportunities within the MMC Group and in the private sector, particularly in selected markets such as water, port infrastructure, onshore oil and gas infrastructure and civil works, in a move to reduce our dependence on Government projects.

MMC Gamuda Joint Venture

We progressed together with our joint venture partner, Gamuda Berhad, to build one of the vital rail-based public transportation networks for the Klang Valley as we combined our technical skills and knowledge to deliver an important component of the KVMRT system.

Having completed and delivered the 51-km KVMRT SBK Line project ahead of schedule in 2017, we employed the valuable experience gained in our construction of the second 52.2km KVMRT SSP Line connecting Sungai Buloh to Serdang and onward to Putrajaya.

We are pleased that, despite changes in government policies, the Malaysian Government continued to entrust us to complete the RM30.5 billion MRT2 project, including the RM13.1 billion underground works.

MMC Gamuda KVMRT (PDP) Sdn Bhd (PDP SBK)

MMC Gamuda KVMRT (PDP) Sdn Bhd, the PDP for KVMRT SBK Line, saw its revenue declining to RM351 million from RM1.49 billion as the 2-year defect liability period came into effect following the completion of the project in mid-2017.

Pre-tax profit stood at RM13 million, against RM69 million a year earlier, mainly attributable to comparatively lower fees recognised over the year, arising mainly from the balance of works on maintenance of the systems packages.

MMC Gamuda KVMRT (PDP SSP) Sdn Bhd

As the PDP for the KVMRT SSP Line, MMC Gamuda KVMRT (PDP SSP) Sdn Bhd pressed forward with the construction of the SSP line and achieved a significant 20% additional work progress in 2018 to bring total project completion to 35%.

We are pleased that the project is progressing on track, targetting full completion in mid-2022, to eventually serve approximately two million population in the Klang Valley.

During the year, we worked to deliver the project on time and within the stipulated delivery costs while maintaining our continued commitment on sustainable development.

Higher construction activities and work progress achieved lifted overall revenue to RM2.8 billion in 2018, which was 65% higher than the RM1.7 billion achieved in 2017, locking in pre-tax profit at RM169 million as opposed to RM102 million previously.

A revamp in government policies led to revisions in the terms of the project from a PDP to the turnkey contractor model, and subsequent negotiations concluded at an RM8.82 billion reduction in overall construction cost (including underground works), to lower the entire project cost to RM30.53 billion, from RM39.35 billion previously.

The revision urged us to renegotiate contracts with the relevant stakeholders as well as work towards reducing costs and overheads while maintaining high efficiency.

MMC Gamuda KVMRT (T) Sdn Bhd

MMC Gamuda KVMRT (T) Sdn Bhd was awarded the RM8.28 billion tunneling package for the KVMRT SBK Line and the newly-revised RM13.11 billion underground works for KVMRT SSP Line.

With works underway at the SSP Line, we were able to record an overall revenue increase of 68% to RM3.31 billion in 2018, improving from RM2.0 billion achieved previously, and a 3.4% pre-tax profit growth to RM425 million in comparison with RM411 million in 2017.

We commend our colleagues at the site for successfully overcoming the technical challenges in tunnelling through the tough geological formations under the ground while ensuring equilibrium and minimum environmental impact.

MMC Pembetulan Langat Sdn Bhd

MMC Pembetulan Langat Sdn Bhd (MMC PLSB) posted stable earnings in 2018 with significant work progress achieved at the RM1.5 billion Langat CSTP, which is a Government initiative under the Ministry of Water, Land and Natural Resources.

We are pleased that the 2018 targets for the construction of the sewerage plant were met and that works progressed smoothly that year.

As at end-2018, approximately 76% of the overall project was completed, with construction of the Langat CSTP Sewage Treatment Plant accounting for most of it. The treatment plant's structure work was almost completed and ready for the installation of mechanical and engineering process equipment.

Meanwhile, construction of the 105-kilometre Sewage Conveyance System reached 63 kilometres, or 70% completion, while the Network Pumping Station was at 67%.

This helped MMC PLSB achieved 2018 revenue of RM388 million, which was just slightly below the RM410 million posted a year earlier. The PBZT recorded at RM5 million, from RM16 million in 2017.

However, profit before tax narrowed to RM5 million, from RM16 million previously, following delays in project progress due to geological challenges such as hard rock and delay in getting approvals from authorities to start work. Limited number of pipe jacking machines for rock has also contributed to the lower work progress.

Several mitigating measures were undertaken. We brought in additional machinery such as rock cutter and micro tunnel boring machine, to overcome obstacles like carrying out work in rocky areas and dealing with ground settlement, cavity and sandy soil. We

sought the cooperation of utility companies in areas with underground utilities such as water pipes, electrical cables and telecommunication manholes.

As we proceed with the project, we will keep engaging with all stakeholders to obtain their cooperation and support for the completion of the project, including addressing concerns from the surrounding communities, while continuing to operate efficiently and safely. We are encouraged that our safety and health initiatives have been recognised through the 5-star in the Safety and Health Assessment System in Construction (SHASSIC) award.

We are also exploring other opportunities as we take steps to complete this project in a timely manner, taking into account that the physical works for the Sewage Conveyance System and Network Pumping station is slated for completion in October 2020.

OTHER BUSINESSES

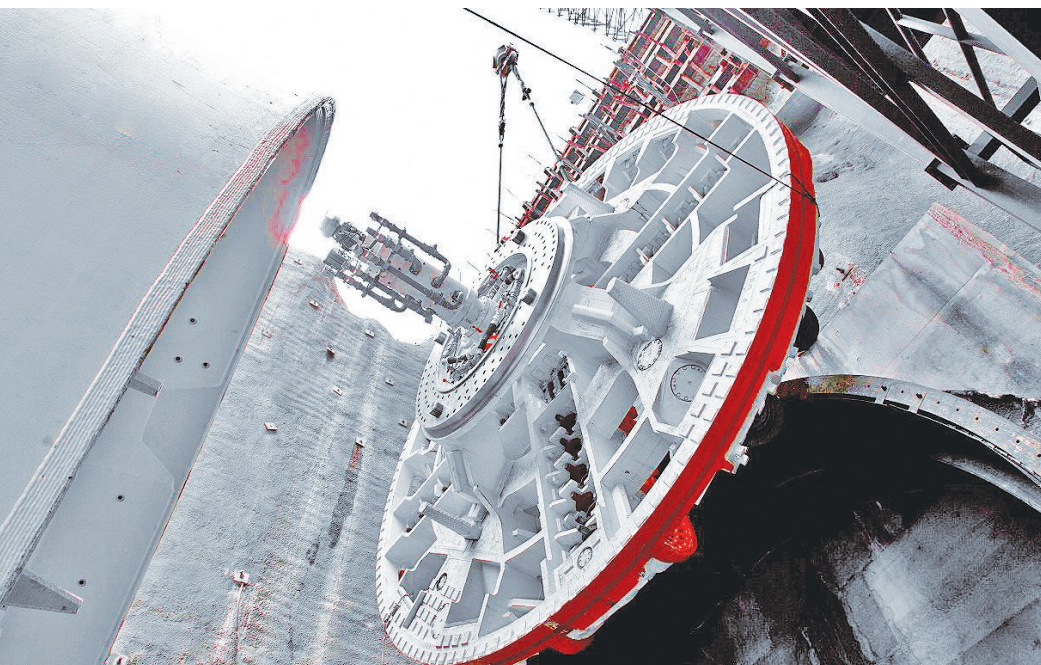
Aliran Ihsan Resources Berhad

Water is the elixir of life and as a pioneer in the water services industry, Aliran Ihsan Resources Berhad (AIR Berhad) truly understands the importance of providing reliable water supply and delivering high standards of service to complement the nation's drive towards efficient water management.

AIR Berhad offers the full spectrum of water treatment services, ranging from operations to maintenance and rehabilitation of facilities as well as treatment of raw and waste water. AIR Berhad currently operates and manages two water treatment plants in the districts of Taiping and Gunung Semangol in the state of Perak.

The commencement of several new projects in 2018, including the RM6.2 million Water Asset Management System (WAMS) project and the third wastewater recycling plant for our client QSR Brands (M) Holdings Bhd, boosted our revenue.

MANAGEMENT DISCUSSION AND ANALYSIS



The WAMS project is now about 85% completed while the upgrading and construction of the 1.3 Million Litres Per Day Ayamas wastewater recycling plant was completed in September and commenced operations at end-October 2018.

In 2018, revenue surged by 32% to RM25 million, from RM19 million in 2017, with gains attributable to higher project revenue of RM5 million, a 4% increase in water production to cater for higher demand, and additional income from three wastewater recycling treatment plants.

Our prudent management and initiatives to curb spending resulted in a 10% reduction in overall administration cost. This alleviated the pressure from higher electricity tariff and an additional charge incurred on imbalance cost pass-through for our water treatment plants in Perak.

Consequently, we were able to improve our pre-tax profit to RM6 million, from RM4 million achieved in 2017.

Macroeconomic drivers that propelled AIR Berhad to new heights included greater corporate awareness and commitment to recycle water, and the Government's encouragement for a greener Malaysia. It was also heartening to see a stark rise in overall awareness for water conservation and recycling, yet another positive step forward to preserving the environment for generations to come.

Technological advances change the way we conduct business, the speed at which we communicate, and open new avenues for us to better preserve the environment. AIR Berhad now possesses the technology for treating wastewater and this will be an added advantage as new inventions and innovation in wastewater recycling gains traction.

A key component to our success is the development of a team of skilled and competent employees and much effort has been placed on attracting top talents as well as retaining skilled employees in a highly competitive market. We also offer our employees the opportunity for further development to enhance their

knowledge and efficiency, capability to adopt new technologies, methods and innovation.

The growing market interest in recycling has not failed to attract competing firms to venture into the business of wastewater recycling, but we are optimistic that AIR Berhad has the advantage of experience as well as the technological know-how to support the needs of customers.

As we enter into a new year, AIR Berhad will leverage on its capabilities to secure design-and-build water projects, including waste water recycling, leachate water treatment plants, desalination, and other opportunities. We also possess the capability to provide design and engineering consultation to potential customers and construction of centralised wastewater and recycling facilities.

AIR Berhad's earnings is likely to continue its upward trend in 2019, given that we have secured long-term contracts with several large corporations for water recycling and with some potential customers likely to come on board based on on-going negotiations.

Water tariffs are also generally on the rise, thus making recycling a more attractive option as we head towards a greener country.

Senai Airport Terminal Services Sdn Bhd

Senai Airport Terminal Services Sdn Bhd (Senai International Airport) soared to greater heights in 2018 with an all-round improvement in both operational and financial performance alongside double-digit growth in passenger arrivals, cargo movement and earnings.

Senai International Airport is the only commercial airport serving Johor and as a key gateway to the southern state, we naturally progressed together with its tremendous economic development and transformation into an international metropolis.

In 2018, a record of 3.5 million passengers passed through Senai International Airport, an increase of 13% over the previous year, with domestic traffic accounting for much of the gain. During the year, the number of domestic passengers increased by 9% to 2.9 million while international traffic saw a staggering 33% rise to 0.6 million.

The significant volume growth was also attributable to additional connectivity and substantial increase in domestic flight frequency by AirAsia together with the introduction of new routes to Seoul by Jin Air as well as Sanya and Haikou in China by Malindo Air.

As a hub airport in the southern region, Senai International Airport is well-connected to various transportation networks and with Iskandar Malaysia's rapid economic development, this enabled us to post an astounding 27% increase in cargo movement at 9,691 tonnes in 2018 versus 7,614 tonnes in 2017.

Consequently, Senai International Airport recorded solid growth of 20% in its revenue and 26% in EBITDA respectively. Its 2018 aero revenue stood at RM48 million while non-aero revenue was RM22 million, bringing total revenue to RM70 million. EBITDA for 2018 was higher at RM41 million compared with RM33 million in 2017.

Aero revenue consisted of income derived from Passenger Service Charges, aircraft landing and parking fees, ground and cargo handling fees, aerobridge and check-in counter charges, whereas retail rental, property lease, car park and security revenue, and advertisements contributed to non-aero revenue.

The non-aero segment saw steady forward momentum with significant increases in rental revenue following the completion of terminal refurbishment in March 2018, as well as advertising income and parking revenue as a result of higher passenger movement.



With an additional 5,505 square feet of additional space following the terminal refurbishment, we were able to attract more international food and beverage operators as well as enhance the retail atmosphere at the mall. This helped to improve rental revenue and additional income from revenue sharing with existing retailers while simultaneously boosting advertising interest.

We held regular discussions with government agencies on matters relating to airport operations, safety and security and operations licensing as well as to foster good working relationships. Meetings were also conducted with various tourism agencies as part of our participation in promoting Johor and keeping abreast with tourism issues and developments.

Building firm relationships with airline operators was also a priority, as it opened doors for discussions on airline operational matters and possible route development opportunities. Engagement with vendors, suppliers, investors and airport tenants were equally important and were well looked into during the year under review.

As a forward-looking airport operator, we always look for opportunities to improve. In February 2018, Senai International Airport became the first airport in Malaysia to introduce and implement the Fast Airport Clearance Experience System by Air Asia, using airport biometrics technology and facial recognition system with self-boarding gates, to expedite processes. It is encouraging to find our efforts recognised by CAPA through its 'Asia Pacific Regional Airport of the Year 2018' award under the category below 10 million annual passengers.

Safety and security remained of paramount importance, evidenced by our commitment to ensure regular maintenance and monitoring of fire safety and operational protocols. We purchased a new fire vehicle 'Rosenbauer Phanter' in September 2018 to meet the regulatory requirement of category 8 and firefighting services.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, terminal renovation to segregate the domestic and international boarding halls was completed in March 2018, to comply with regulatory requirement and for safety and security enhancement.

The continuing economic growth and industrial activities as well as the development of Iskandar Malaysia will remain among the key driving factors, added with our efforts to further promote the airport and optimise resources.

The inking of a strategic partnership with Sanzbury Stead Sdn Bhd, a subsidiary of PETRONAS, gives Senai International Airport a three-year contract to manage the operations and maintenance services of Kertih Airport, which is the main air base for oil and gas operations in Terengganu, effective 1 January 2019.

The aero segment is likely to strengthen further in anticipation of additional routes and flight frequency by existing airlines and potential foreign airlines flying to Senai International Airport, while non-aero revenue would gain from efforts to lease vacant retail outlets, optimisation of floor space utilisation and development of additional parking bays.

Broadly, we foresee passenger numbers growing strongly in 2019, increases in flight frequency particularly for popular domestic routes, improvement in load factor, potential introduction of new routes and a continuation of high demand for existing international flights, along with aggressive marketing and promotional efforts. We will also be working closely with airlines and shippers to boost cargo volume.

INDUSTRIAL PROPERTY

The Group Property division promotes the expansion of industrial hubs at strategic locations across the country. At the southern end of the peninsular, we have Senai Airport City Sdn Bhd (Senai Airport City) and Tanjung Bin Petrochemical and Maritime Industrial Centre (TBPMIC) in Johor, and up north lies the Northern Technocity development in Kulim, Kedah.

These projects occupy more than 5,000 acres of land sprawled over the peninsular, with an estimated gross development value of RM8.3 billion.

On the whole, Malaysia remains an attractive investment destination, evidenced by the investment statistics on foreign and domestic investments, with quite a significant focus on the Johor state. For instance, as at September 2018, the Malaysian Investment Development Authority had approved investments in Johor state alone amounting to RM26.5 billion. This accounted for about 45% of the country's total investment of RM59.1 billion during that period.

This conducive landscape naturally gives Senai Airport City and TBPMIC an opportunity to leverage on the strong demand, coupled with the added advantage of the Group's synergy in providing the industrial development with great connectivity via land, air and sea.

Encompassing some 2,700 acres of land in Johor, Senai Airport City is designed to suit the needs of various industrial segments including Free Industrial Zone, high technology and general manufacturing, aerospace MRO and logistics, and mixed developments. Investors in Senai Airport City will also be able to enjoy incentives such as pioneer status, investment tax allowance and approved developer status.

In addition to competitive pricing, Senai Airport City is also in close proximity to various crucial infrastructure such as air and sea ports as well as land transportation network, connected directly to the North-South Expressway by the RM105 million Diamond Interchange and to Singapore via the Malaysia-Singapore Second Link (Linkedua).

In 2018, we have commenced approximately 500 acres of earthworks on site at Phase 2 of Senai Airport City and we are in the midst of carrying out road works and perimeter fencing as part of our Free Zone expansion.

Meanwhile, we are finalising the masterplan for Northern Technocity, our maiden foray into industrial development in the north, right next door to Kulim High Tech Park. The approximately 350-acre development will encompass industrial, commercial and residential components.

With the strong investment interest shown in our projects alongside our competitive advantage as a group, we expect to draw more investments in the coming year, particularly from multinational corporations. Local companies that are looking to expand are also expected to take up industrial opportunities at our developments in 2019.

We are currently in the midst of negotiations with potential investors to expand their facilities to Senai Airport City, and we expect to see positive outcome in the coming months.

Moving forward, we will continue to employ aggressive marketing strategies, with particular emphasis on identified target customers and industries, to woo investors, increase take up rates and unlock project value, while also monitoring developments in the property industry and other competing projects in the vicinity.

Syarikat Mengurus Air Banjir & Terowong Sdn Bhd

After a difficult year in 2017, Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART) managed to regain its ground and sustain stable revenue at RM33 million in 2018, largely unchanged from the preceding year's level, with consistent traffic volume at its tolled motorway. Vehicles per day stood at 26,516 in 2018 versus 26,954 a year earlier.

Two significant developments for the year was its vast improvement at the bottom line and its implementation of the radio frequency identification tag (RFID) for toll payments for greater efficiency and to further ease congestion.

SMART registered a 98% improvement at its bottom line, narrowing its after-tax loss to RM5 million, from a high of RM205 million loss in 2017 due to a RM197 million one-off impairment loss incurred in 2017.

Lower motorway development amortisation due to lower traffic volume and measures undertaken to manage its costs, resulted in a 9% reduction in highway expenditure. Our optimisation initiatives along with prioritising on maintenance based on criticality of each asset have led to lower maintenance cost.

Another interesting initiative was its employment of technological improvements to enhance driving experience.

Over a year ago, SMART implemented the full Electronic Toll Collection to improve the collection processes and in 2018, it introduced the RFID toll payment system to further enhance its operational efficiency and reduce congestion at toll collection points, that being one of the top driving pet peeves.

The RFID pilot project took off in October 2018 as an alternative new electronic toll payment system using an RFID tag

that is embedded with a radio frequency chip and affixed to the vehicle's windscreen or headlamp, scanning the appropriate information as the vehicle passes the gate.

SMART scored a win with this initiative, with more than 8,000 drivers having accepted the new system during its first three months to December. We foresee a higher take up rate in 2019 as it gains momentum and as a cheaper alternative to the SmartTag.

This has yet to be translated into higher usage of the motorway but we expect to see positive outcome in the subsequent years.

Our strategy to increase future traffic volume includes, among others, further improving operational efficiency to minimise congestion as well as collaborating with the surrounding developments to increase and secure higher captive traffic volume.

Future growth will also depend largely on the timely completion of the projects surrounding its tunnel ingress and egress, particularly sizeable ones such as the TRX Development.

PROGRESSING TOGETHER

With global trade expected to remain robust albeit at a more moderate pace, coupled with stable domestic economic growth, we are optimistic about the overall outlook for MMC Group in 2019.

The Ports and Logistics division will remain at the forefront of MMC Group and continue to be the main contributor to Group earnings on projections of higher throughput volume across all our ports.

To keep abreast with changes and to meet customer needs, we will continuously focus on enhancing our efficiency and facilities at all our ports.

We are pleased with the outcome of PTP's development strategy thus far, with customers giving acknowledgments for our improved services, efficiency and newer equipment. In light of the success, we aim to replicate the same strategy to rejuvenate other ports in our Group, such as Johor Port, including replacing old equipment and further expanding our facilities in the coming year to enable our ports to compete with international peers.

With a total container port capacity of 21.3 million TEUs in 2019, we as a Group continue to enhance our capacity and capabilities through on-going long-term investment, to further enhance our capacity and capabilities will culminate in a total container capacity of 23.5 million TEUs in 2019, with deeper drafts and a wider range of equipment, such as bigger quay cranes, gantries and prime movers to serve larger vessels docking at the ports.

Supported by such capacity, we believe our ports will be well-positioned to capitalise on the anticipated strong trade growth this year. We are cognisant of the challenges presented by global uncertainties and concerns over on-going issues such as Brexit, the US-China trade dispute, and softening global economy, but we remain optimistic about our future prospects as we believe we can capitalise on opportunities arising from adversity.

The current trade dispute, for instance, will precipitate the relocation of operations for some businesses and could possibly lead them to re-position their operations to Malaysia. This situation spells potentially new opportunities for us in terms of greater trade volume, higher demand for logistics in our Free Zone area and industrial properties, and other advantages arising from greater business activities.

MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the easing of the ringgit against the greenback also makes local products more competitive globally and in the process, stimulate trade and encourage greater manufacturing activities.

This will help to turn the wheels of the economy and generate greater demand for energy, in addition to the increasing need for electricity from the growing population. Therefore, we expect to see a brighter year for the Energy and Utilities division in 2019.

For now, our existing coal-fired plants will continue to power the needs of Malaysians and businesses in the coming years, but we are undoubtedly heading towards RE as a future source of cleaner energy. Demand for natural gas is also expected to be on the rise, with more customers opting for it as an alternative fuel of choice.

We are confident that our investments in RE sources as well as our venture into environmental services will pay off in future years, both in terms of socio-economic and environmental aspects, and will translate into higher earnings in the longer term.

As for the Engineering division, we remain on a firm footing, capitalising on a healthy existing order book that will sustain us for the next three years. Our immediate focus is to ensure that we deliver on the projects that have been entrusted to us.

At the same time, we are also looking at opportunities to expand our portfolio so that we may continually play our role in nation building and in the process, heighten our expertise and grow the division.

As the Government moves to consolidate the country's financial position, putting the brakes on some major projects, we anticipate stiffer competition for government contracts and possibly a slowing of construction activities in the coming year.



We are confident that the Government is taking measures that are in the best interest of the country and we will continue to support the Government by offering to participate in nation building initiatives as well as social programmes. With our proven track record, we hope to be accorded the opportunity to continue playing a key role as a nation building partner.

Meanwhile, plans are also underway to expand our portfolio to include opportunities in the private sector as we plan to leverage on the knowledge and expertise gained from our past experience as well as the technical capability and skills of our team to secure new projects.

For the year 2019, we also see positive prospects for our other businesses. AIR Berhad is likely to gain from increasing demand for water from a growing population whereas Senai International Airport is anticipated to continue flying higher with greater air travel for both business and pleasure.

From the tourism perspective, we welcome and support the Government's initiatives to further promote Malaysia as a travel destination of choice and such positive efforts should translate

into higher passenger arrivals at our Swettenham Pier in Penang as well as Senai International Airport in Johor. On our part, we will also invest our time and resources as well as work with others to woo visitors to Malaysia.

Following a period of sluggish property market, our Property arm had already begun to see some renewed interest in industrial development land towards the end of 2018. This could likely gain traction in the following year in anticipation of stronger demand and as we see greater clarity on investment policies. Continued robust growth in Johor will also boost demand for industrial activities in the state, and this raises our optimism on the prospects for our industrial property segment.

Overall, we believe that MMC Group will be able to present a stronger performance in 2019 with our continued efforts and business strategies. Nevertheless, we believe that the true measure of our success lies in our contribution to nation building and how we improve the lives of our people and society. The achievements and statistics we measure annually are means that drive and motivate us to reach our ultimate aim to make a lasting difference in people's lives.

As a leading utilities and infrastructure company, we are blessed with the resources and capabilities to contribute to the country's development and our objective is to employ these resources to create enduring relationships with our stakeholders, deliver sustainable results and improve the lives of the communities we serve.

We achieve these objectives by putting our strategy into action and focusing on improving the delivery of our services, enhancing our capabilities, being more attuned to our customers and communities' needs, caring for our people, putting safety as a priority, and playing our part in conserving the environment.

Various efforts have been undertaken and continue to be emphasised to ensure the safety of everyone as well as to keep our environment green. We will continue to give back to society in various ways and continue with our CSR programmes in the spirit of giving and caring for our community.

Equally important is our focus on improving the skills of our people to facilitate smooth delivery of services. This will complement our investments in new technologies to enhance customer experience, such as advanced terminal operation systems and other technological platforms.

We know where we are headed and it is our 12,255 capable talents who will get us there with their perseverance and determination to achieve the set goals. It is therefore our responsibility to create a work place that is meaningful and one that helps them realise their full potential. This will be achieved through continuous engagement, more discussion forums, development opportunities for employees to better themselves, and by building the organisation's talent bench strength.

We are pleased that various companies in our Group have been named for a number of awards, bagging 17 awards over the past year, for excellent services provided by our team of dedicated employees, technical achievements and other accomplishments.

The awards include, among others, the Green Port Terminal of the Year for PTP and Bulk Liquid Port/Terminal of the Year for Johor Port, Global Performance Excellence Award 2018 – World Class for Johor Port, Gold Class 2 – Occupational Safety and Health Award in Logistics and Transportation Category for Northport and Penang Port, as well as the Asia Pacific Regional Airport of the year 2018 for Senai International Airport and the Builder's Award – Civil Engineering Construction Category for MMC-Gamuda.

We hope that such recognition will encourage our people to work harder and aim to leave behind a legacy for our future generations that is built on exceptional performance, long-lasting relationships, meritorious principles, and shared values for all stakeholders.

Heading into the year 2019, we place significant emphasis on all of these important objectives as we plan and implement our growth strategies, and we believe these priorities will enable us to remain relevant in a changing and dynamic industry. Above all, it will help us achieve our aspiration to make a lasting difference in people's lives and to progress together with all our stakeholders.

ACKNOWLEDGEMENTS

In closing, I would like to thank the Board of Directors for their invaluable guidance and immeasurable strength.

I wish to extend our appreciation to our partners, customers and contractors for their unwavering support and heartfelt thanks to our community for their understanding.

We are indebted to the Government for giving us the opportunity to serve the people and for entrusting us with key nation building responsibilities. Our gratitude also goes to the various regulatory bodies for extending their cooperation and support to our Group.

I wish to thank the management team and all our employees for their dedication and steadfast commitment to service excellence, continuous improvement, tenacity in ensuring safety, without which we would not have achieved our long-term growth and objectives.

Equally important is our gratitude to our shareholders for placing their trust and confidence in us and for believing in the long-term value of MMC Group.

DATO' SRI CHE KHALIB MOHAMAD NOH
Group Managing Director

2018

CORPORATE HIGHLIGHTS

**2 January 2018**

Senai International Airport celebrated the inaugural charter flight from Incheon by Jin Air.

**8 January 2018**

Malakoff signed an a Memorandum of Understanding (MoU) with Touch Meccanica Sdn Bhd at Hotel Istana, Kuala Lumpur, for the development of Integrated Solar Farm and Hydropower projects.

**30 January 2018**

Johor Port launched the 'Kompleks Import Eksport Pelabuhan Johor' one stop centre.

**5 & 6 February 2018**

MMC Ports participated in the UAE-Malaysia Business and Investment Forum and Halal Trade, Manufacturing and Logistics Summit at the InterContinental Hotel, Kuala Lumpur.

**6 February 2018**

Senai International Airport and its airline partner, AirAsia Berhad launched the Fast Airport Clearance Experience System (FACES), making it the first airport in Malaysia to pilot the biometric identification system.

**15 February 2018**

Johor Port signed an MoU with PT Pelabuhan Indonesia I in a ceremony held at Mutiara Hotel, Johor Bahru. The MoU marked the commitment of establishing Roll-on-Roll-off (RoRo) activities and shipping connectivity.

**22 February 2018**

MMC organised a media familiarisation visit to Penang Port.

**22 February 2018**

For two consecutive years, MMC Ports received two prestigious recognitions at the 2018 Global Ports Forum Awards, held in Dubai.

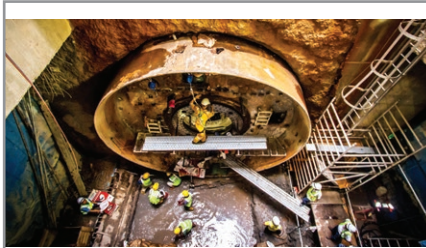
**22 February 2018**

Gas Malaysia held a ground breaking ceremony with the Ministry of International Trade and Industry and Perak State Government in Kinta Valley, Perak to mark the construction of the 140km of Natural Gas Distribution System network.



27 February 2018

Ministry of Transport delegation visited Tanjung Bruas Port to observe the port's preparation for the proposed implementation of the RoRo Melaka ferry service to Dumai, Sumatera, Indonesia.



1 March 2018

The launch of the tunneling works for Mass Rapid Transit Sungai Buloh-Serdang-Putrajaya (SSP) Line at Bandar Malaysia North MRT.



6 March 2018

Northport signed a privatisation agreement for the operations of Northport and Southpoint in Port Klang, with the Government of Malaysia and Port Klang Authority at Le Meridien Hotel, Kuala Lumpur.



10-13 March 2018

Johor Port received 27 delegates from Vietnam Tan Cang Saigon Newport.



14 March 2018

MMC Board of Directors visited Senai Airport City and the Pengerang Co-Generation Plant project site in Johor.



17 March 2018

IPark Development Sdn Bhd, a co-developer of Senai Airport City Sdn Bhd (Senai Airport City) held an opening ceremony of their award-winning industrial resort, i-Park@Senai Airport City.



24 March 2018

Johor Port participated in 'Karnival MOT 2018' organised by the Ministry of Transport Malaysia at Dataran Bentong, Pahang.



26 March 2018

MMC established MMC Polytechnic Edu-Centre at Politeknik Ibrahim Sultan, Pasir Gudang, Johor.



28-29 March 2018

PTP, Senai Airport City and Senai International Airport welcomed delegates from the Malaysian Dutch Business Council and the Malaysia-German Chamber of Commerce and Industry during a visit to Iskandar Malaysia, Johor.

2018 CORPORATE HIGHLIGHTS



29 March 2018

PTP received a working visit from the Department of Environment Johor and several other representatives from the state and federal government agencies.



2 April 2018

Johor Port signed an MoU with Johor Corporation to establish a strategic collaboration in Muar Furniture Park in Muar, Johor.



4 April 2018

Johor Port signed the Supplementary Training Service Agreement with PT Pelabuhan Indonesia IV held at Balikpapan, Indonesia.



4-7 April 2018

Northport participated in the Malaysia International Halal Showcase 2018 at the Malaysia Trade and Exhibition Centre, Kuala Lumpur.



9 April 2018

MMC PLSB organised a launch ceremony of the Public Information Centre of Langkat Sewerage Project at its site office, in Kampung Sungai Balak, Kajang.



12 April 2018

Northport signed an MoU with Cenergi Sea Sdn Bhd, Bioenergy Machinery Sdn Bhd and Environmental Preservation and Innovation Centre Sdn Bhd to establish a centralised processing hub in Southpoint catering for various types of biomass.



18 April 2018

Senai International Airport and Senai Airport City welcomed delegations from the Embassy of France and Malaysian French Chamber of Commerce and Industry to Iskandar Malaysia, Johor.



19-23 April 2018

PTP participated in the annual Iskandar Malaysia trade mission to Europe to expand Iskandar Malaysia components and business opportunities to the European market.



19 April 2018

PTP organised a maiden voyage event for the Ever Golden in Gelang Patah, Johor.



25 April 2018

PTP participated in the TOC Asia 2018 Conference in conjunction with the Singapore Maritime Week 2018.



15 May 2018

Senai International Airport signed a pledge in effort to combat corruption and misconduct by joining the Corruption-Free Pledge with the Malaysian Anti-Corruption Commission.



12 June 2018

Senai International Airport hosted delegation from the Asian Business Aviation Association.



18 June 2018

Senai International Airport welcomed the commencement of daily scheduled flights from South Korea operated by Jin Air.



26 June 2018

Penang Port welcomed YB Yeoh Soon Hin, the newly appointed State Exco for Tourism Development, Heritage, Culture and Arts to Swettenham Pier Cruise Terminal.



3-5 July 2018

MMC Ports participated in the 16th ASEAN Ports and Shipping Conference and Exhibition at Renaissance Hotel, Johor Bahru.



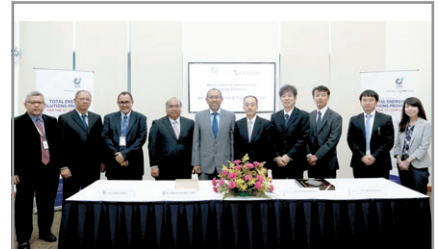
5 July 2018

Members of MMC Group in the southern region organised a joint Hari Raya Open House for customers and stakeholders in conjunction with the festivity.



6 July 2018

MMC Group's Rih Raya celebration at Istana Hotel Kuala Lumpur gathered more than 1,500 attendees.



12 July 2018

Gas Malaysia signed an MOU with Tokyo Gas Co Ltd to establish a mutual-beneficial cooperation and collaboration in relation to any new investment in the entire South East Asia region, excluding Vietnam.

2018 CORPORATE HIGHLIGHTS



12 July 2018

Northport received a working visit from the Ministry of Transport Malaysia delegation led by its Minister, YB Loke Siew Fook.



18 July 2018

Malakoff won the Risk Management Team of the Year Award in conjunction with the Malaysian Association of Risk and Insurance Management Conference 2018.



25-28 July 2018

Northport participated in the Professional Golf of Malaysia tour series as one of the corporate sponsors for 2018 tournaments.



26 July 2018

Senai International Airport received a working visit from PT Angkasa Pura 1, a state enterprise of the Indonesian Department of Transport responsible for the management of airports in East Indonesia.



30 July 2018

PTP received an inaugural working visit from the Ministry of Transport Malaysia delegation led by its Minister, YB Loke Siew Fook.



31 July 2018

Tanjung Bruas Port received a delegation from the Melaka State Government led by YAB Tuan Adly Zahari, Chief Minister of Melaka.



31 July 2018

PTP received an official visit by YB Jimmy Puah Wee Tse, Chairman of International Trade, Investment and Utilities Committee, Johor.



7-10 August 2018

Members of MMC Ports participated in the Malaysia World Maritime Week 2018 at the Kuala Lumpur Convention Centre.



9 August 2018

Northport and Penang Port were granted Gold Class II awards by the Malaysian Society for Occupational Safety and Health.



14 August 2018

Tanjung Bin Power Sdn Bhd, a subsidiary of Malakoff entered into a Coal Ash Offtake Agreement with G-Cast Concrete Sdn Bhd for the collection of coal ash from its Tanjung Bin Power Plant.



18 August 2018

PTP became the first port in the world to depart a vessel with a final load over 19,000 TEUs when Mumbai Maersk, one of the Maersk's 2nd Generation Triple-E Vessels left the port with the record load of 19,038 TEUs.



27-28 August 2018

Senai Airport City participated in the Investment Opportunities in Johor convention held in Singapore and the Industrial Park Forum held in Johor Bahru to promote Johor as a location of choice for investment.



28 August 2018

Senai International Airport received an official working visit from Johor State Executive Council led by YB Mazlan Bujang, Chairman of Public Works, Infrastructure and Transportation.



31 August 2018

Malakoff received the 'Anugerah Khas' in recognition for the company's CSR programmes in Mukim Serkat during the National Day celebration in Pontian, Johor.



3 September 2018

PTP and Senai Airport City co-organised a business networking session entitled An Afternoon with Port of Tanjung Pelepas and Senai Airport City held at Suntec Singapore Convention and Exhibition Centre.



5 September 2018

Langat CSTP received a working visit from the Japan International Cooperation Agency.



5-6 September 2018

PTP participated in the 5th Southeast Asia Port Expansion Summit in the Westin Jakarta, Indonesia.



6 September 2018

Penang Port signed a joint venture agreement with Royal Caribbean Cruises Ltd to develop the Swettenham Pier Cruise Terminal.

2018 CORPORATE HIGHLIGHTS



6-9 September 2018

Northport participated in the Selangor International Business Summit 2018 held at MITEC, Kuala Lumpur.



7 September 2018

Malakoff signed a Joint Development Agreement with Concord Alliance Sdn Bhd to explore and develop biogas-based power generation projects.



24 September 2018

PTP signed the Corruption-Free Pledge with Malaysian Anti-Corruption Commission (MACC).



25 September 2018

Johor Port signed the Corporate Integrity Pledge Programme with MACC.



1 October 2018

Senai International Airport celebrated the commencement of Ipoh and Alor Setar routes by AirAsia.



1 October 2018

PTP co-organised a business luncheon with the Singapore-German Chamber of Industry and Commerce at Orchard Hotel, Singapore.



9-11 October 2018

MMC Ports participated in the Port Equipment Manufacturers Association Autumn Meeting at The Excelsior Hotel, Hong Kong.



10 October 2018

MMC Group organised a Familiarisation Visit to Senai Airport City and PTP for members of the media based in Kuala Lumpur and the southern region.



30 October 2018

Senai Airport City organised a roadshow together with Federation of Malaysian Manufacturers and its two co-developers namely Eco World Development Group Bhd and IPark Development Sdn Bhd.



27-30 October 2018

PTP and Johor Port participated in the Johor Port Week 2018 held at Double Tree Hilton Hotel, Johor Bahru.



29-31 October 2018

MMC Engineering participated in the 10th Malaysian Road Conference and Exhibition 2018 and PIARC International Seminar on Asset Management held at Sunway Pyramid Convention Centre, Petaling Jaya, Selangor.



8 November 2018

Senai International Airport was awarded the Asia Pacific Regional Airport of The Year 2018 under the 10 million annual passenger category during CAPA Asia Pacific Aviation Awards for Excellence 2018 in Singapore.



15 November 2018

MMC Gamuda KVMRT (T) Sdn Bhd received the Builder's Award in the Civil Engineering Construction Category during the 44th International Federation of Asian and Western Pacific Contractors' Associations at the Kuala Lumpur Convention Centre.



15 November 2018

PTP signed an MoU with the Ministry of Education to establish links between academia and the industry and build more collaborative networking in human capital development and Technical Vocational Education and Training (TVET) institutions.



7 December 2018

Malakoff received an appreciation award in conjunction with the National Institute of Occupational Health and Safety Silver Jubilee celebration held at Avenue Garden Hotel, Bangi, Selangor.



11 December 2018

Johor Port won the Global Performance Excellence Awards 2018 – World Class from the Asia Pacific Quality Organisation.



18 December 2018

Senai International Airport conducted a full-scale emergency exercise led by the Airport Fire and Rescue Department.



20 December 2018

MMC PLSB received an official visit from General Director of Sewerage Services Department at the Langat Sewerage Project site office.

S U S T A I N A B I L I T Y

S T A T E M E N T

MMC Group's sustainability agenda is at the core of our operations and this enables us to push for long term-growth. All of our operational decisions are executed with our sustainability values in mind, as we engage with stakeholders and communities to find better ways to contribute to their growth.

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MOVING FORWARD

COMMITTED TO CREATING SUSTAINABLE VALUE

MMC Group's Sustainability Statement (Statement) emphasises our commitment to operate in a responsible and sustainable manner by integrating the Economic, Environmental and Social (EES) dimensions into our business planning and daily operations. The Group is committed to creating long term values for stakeholders and securing our future by embracing responsible management and sustainable development.

Our sustainability strategy harnesses MMC Group's strengths and resources to incorporate business sustainability practices into the overall organisation, creating shared value for our shareholders and for society. By contributing to society and conserving the environment, the Group also drives operational excellence within itself and enhances the entire value chain with continuous improvement in business efficiency.

1 SCOPE AND METHODOLOGY

This Sustainability Statement covers the period from 1 January to 31 December 2018. It highlights business sustainability initiatives of MMC Corporation Berhad and its operating companies in the Ports and Logistics, Engineering, and Property divisions.

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

We have been consistently reporting on our sustainability agenda and continue to integrate this strategy in the current financial year along with a review of existing goals and measures of success.

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

This Sustainability Statement is to be read together with the rest of MMC Corporation Berhad's 2018 Annual Report. To avoid content overlap, certain parts of this Statement may make references to 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.

1.1 OUR APPROACH TO SUSTAINABILITY

1.1.1 Sustainability Governance

MMC Group's commitment towards sustainable growth is evident through the environmental, health and safety, and community initiatives that we have implemented throughout all levels of its the organisation.

This commitment comes from the top, with the MMC Group's Board of Directors (the Board) and senior management acknowledging 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 company as part of the agenda. The FIRC convenes every quarter and is chaired by one of the members of the Board. The FIRC is a sub committee of the main Board.

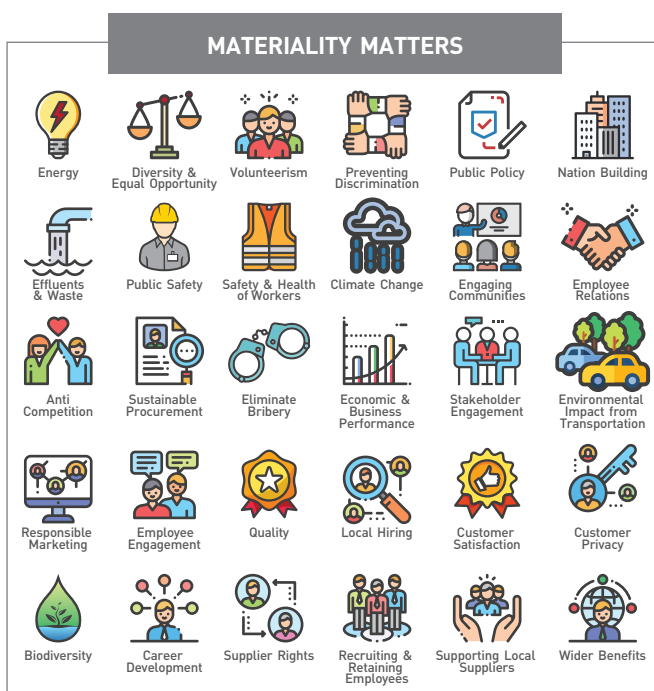
In attendance, by invitation, are the Group Managing Director, Group Chief Financial Officer, Group Chief Internal Auditor, Group Company Secretary and Head of Group Risk Management.

1.1.2 Disclosure and Boundaries

MMC Group is committed to integrating the sustainability agenda into its overall strategy and operations in a more distinct manner for the long term. We recognise the importance of the credibility of our published Sustainability Statement and consistently aim to improve data collection and monitoring across the Group.

1.2 MATERIALITY MATTERS

MMC Group has identified 30 materiality areas within the EES pillars. The identification of materiality matters and clear understanding of their impact and relevance to MMC Group are of vital importance in steering our sustainability strategy.



SUSTAINABILITY STATEMENT

Beyond addressing potential and probable impacts on our EES pillars, this process allows for the creation of shared value that ultimately delivers significant strategic advantages to the Group.





These include increasing efficiency and productivity, the creation of a conducive working environment, fostering better relationships with stakeholders, attracting more investors, business partners and talents, reducing risk exposure and ultimately bolstering our strength and presence in our chosen industries.



1.3 SUSTAINABILITY APPROACH, RELATED RISKS AND MITIGATION MEASURES

The MMC Group's Sustainability initiatives demonstrate our earnestness in addressing the impact of our operations on the environment, employees, marketplace (including shareholders and customers), corporate governance and communities. These initiatives have been designed to assist the organisation to:

- embed the concept of sustainable development as an integral part of business
- promote integrity and quality of responsible services
- promote internal understanding of sustainability and accountability among our employees

1.3.1 Sustainability Approach

Category	Mission	Objectives	Initiatives	Rationale
Customers 	To exceed customer expectations	<ul style="list-style-type: none"> Experience Recognition 	Improve customer experience through efforts to exceed customer expectations	In view of the challenging economic and market conditions, we focus on providing the best service and experience to our customers through operational responsiveness and tailored solutions. Our goal is to exceed customer expectations with exceptional service as we work towards our vision to be a premier utilities and infrastructure group.
Shareholders 	To create sustainable values for shareholders	<ul style="list-style-type: none"> Engagement Knowledge sharing Communications 	Greater visibility for shareholders through broader engagement activities	We focus on the delivery of broader, structured and consistent engagements with our shareholders.
Governance and Business Ethics 	To maintain sustainable governance and good business ethics	<ul style="list-style-type: none"> Transparency Trust Zero Tolerance rule towards bribery and corruption 	Corporate Integrity	We adopt the highest standards of integrity, embedding business ethics and ethical conduct as a cultural component within the organisation.
Employees 	To promote individual and team excellence among our employees	<ul style="list-style-type: none"> Training and development Engagement Safe and healthy work environment 	Succession planning	We have a continuous inflow of talent for various job levels to ensure seamless transition and leadership succession within the organisation. Succession planning also allows us to create more positions that can better prepare potential leaders and identify talents in the Group. This strategy will also develop and equip our workforce with the necessary skills and competencies to support our expanding business operations.

Category	Mission	Objectives	Initiatives	Rationale
			Improving retention	<p>Increased employee competency can improve overall performance at the workplace. Employees who are well versed in their jobs are then able to perform tasks effectively, which result in improved efficiencies. With this in mind, we are enhancing our competency development process and programme through a more structured and holistic approach.</p> <p>By raising employee competency, we are able to improve overall performance at the workplace. Skilled employees can perform tasks effectively and efficiently, thus our structured and holistic approach in employee competency development.</p>
			Healthy workforce and effective management of health risks at the workplace	<p>Safety has always been our utmost priority, evidenced by the development of our Health Safety and Environment (HSE) Policy emphasising a dynamic and structured approach to the management of health and safety aspects.</p>
Environment 	To care for the environment and operate responsibly	<ul style="list-style-type: none"> • Carbon Emission • Biodiversity • Waste 	<p>Monitor and establish measures on environmental performance on carbon/key emissions, implement waste management and biodiversity programmes to reduce carbon footprint/key emissions and waste</p> <p>Engage employees on integrating sustainability, raising environmental awareness and consciousness; and empower them to conduct initiatives on environmental care</p>	<p>Operating in a responsible manner to minimise environmental impact where possible, is key to the way business is managed in MMC Group. We take a proactive approach on environmental matters specifically on managing carbon/key emissions and waste (hazardous and non-hazardous).</p> <p>Our commitment to the environment includes our continuing efforts to inculcate environmental awareness and consciousness amongst our employees. We believe this objective can be achieved through greater employee engagement on various environmental initiatives.</p>
Community 	To make a positive difference in the lives of our community	<ul style="list-style-type: none"> • Community development • Investing in the next generation 	<p>Empowering communities is an integral part in our company culture and the way we do business. We leverage on our extensive reach to implement programmes that will bring sustainable benefits to communities</p>	<p>We promote upskilling and expansion of career opportunities for youths. We also aim to raise the level of knowledge and awareness of our industry, in line with our commitment to nation-building. We care for communities within our reach and are actively engaging with underprivileged groups.</p>

SUSTAINABILITY STATEMENT

1.3.2 Sustainability Related Risk and Mitigation Measures

Strategic

Risk	Description	Mitigation Measures
Viability of new and current investments	Risks relating to or arising from market uncertainties or poor management that may result in impairment in values or lower than anticipated returns on investments.	<ul style="list-style-type: none"> Establish the FIRC to evaluate all new investments prior to Board approvals. Conduct due diligent studies on all new investment ventures including assessment on specific risks related to selected investments. Conduct audits and regular financial reporting and monitoring. Management representation at invested entities' Board level.
Adapting to new government policies and regulations	Risks relating to or arising from the inability to adopt changes in government (or its agencies) policies and regulations that may have favourable or adverse impacts on the company.	<ul style="list-style-type: none"> Keep abreast of policy and regulatory changes through close engagement with relevant authorities and regulatory bodies. Deployment of resources to adapt to the changes.

Operational

Risk	Description	Mitigation Measures
Breach of system and data security	Risks relating to or arising from deliberate attacks on systems and individuals who have access to sensitive data, exposure to impact from the loss of media, unsafe practices of collecting, storing, sending, encrypting, finding and removing data that may have implications for data safety and security.	<ul style="list-style-type: none"> Implementation of Information Security Management System to manage risks to the organisation's information assets and to ensure acceptable levels of information security risks. Enforcement of Security Guideline in IT Policy, which must be adhered to by all users. Conduct periodic IT security tests and audits. Putting in place Business Continuity Management framework and practices.
Delay in project completion and cost overrun	Potential risks relating to or arising from issues and conflicts during project implementation that affect the time schedule that may cause delays and cost overrun.	<ul style="list-style-type: none"> Consistent and timely notification of project progress via Monthly Progress Reports, Management Meetings and Project Management Committee Meetings. Establish Project Risk Register to closely monitor risks faced by the project. Comply with the established Group Procurement Policy and Guidelines.
Accidents lead to fatality and major environmental impact	Personnel risks relating to or arising from unsafe working environment for personnel which leads to potential life losses/injuries or major environmental impacts.	<ul style="list-style-type: none"> Certified and complied to international standards for safety and environment such as ISO 18001, ISO 14001 and ISO 45001, and obtain the necessary certifications. Establish various committees to closely monitor the organisation's performance on HSE. Conduct HSE awareness campaigns and activities such as HSE Day and Management Walkabout.

Risk	Description	Mitigation Measures
Talent management and succession planning	Risks arising from lack, or non-existence, of proper and effective employee talent management, training needs analysis, succession planning as well as provision for training and development.	<ul style="list-style-type: none"> • Formation of Talent Selection Committee to facilitate talent review exercise and decide on the selected talent management programme. • Implementation of various development programmes for all categories of employees.

External

Risk	Description	Mitigation Measures
Security breach and act of terrorism	Risks arising from lack of security due to improper or inadequate manning, lack of facilities and criminal acts intended to provoke and create a state of terror in the organisation and/or public for political, ideological, racial, religious or any purposes.	<ul style="list-style-type: none"> • Comply with related security policy and protocol. • Engage relevant authorities and stakeholders on security issues. • Deploy relevant security resources and facilities.
Foreign Exchange (FOREX) volatility	Risks relating to or arising from illiquid currencies and/or uncertainties in the FOREX market that would leave the company exposed if not appropriately hedged.	<ul style="list-style-type: none"> • Established the FOREX Committee to deliberate and decide on appropriate hedging positions. • Design and implement a hedging strategy to minimise FOREX impact. • Close monitoring of the FOREX market and economic data/trends, and engagement with panel bankers for views and opinions on the outlook for FOREX.
Natural Disasters	Impact from risks relating to or arising from natural disasters such as floods, earthquakes, landslides, adverse weather conditions, etc. that may lead to crisis and/or disaster. This also includes risks of disruption to business activities arising from the spread of pandemics/epidemics.	<p>Established the following:</p> <ul style="list-style-type: none"> • Crisis Communications Guidelines to enable the organisation to coordinate crisis communications during major incidents and disasters. • Emergency Preparedness and Response Procedure. • Emergency Response Plan. • Emergency Response Team. • Regular training and evacuation drills in collaboration with BOMBA and other related parties.
Stakeholder Management	Risks relating to or arising from inability to manage stakeholders properly, adequately and timely.	<ul style="list-style-type: none"> • Regular engagements with stakeholders through company resources, capabilities and reach to attain better outcomes for communities and the environment e.g. Corporate Social Responsibility (CSR), which consists of company-driven strategic initiatives centered on education and community development, human capital development and environmental preservation. • Regular monitoring and reporting of stakeholder engagements and activities.

SUSTAINABILITY STATEMENT

1.4 STAKEHOLDER ENGAGEMENT

As the Group's businesses and markets evolve, we remain committed to engaging our diverse stakeholder groups in both formal and informal settings. Through proactive engagement, we are able to respond to their expectations, needs and concerns on relevant matters in all areas that the company operates in. Stakeholder engagement is managed at the operating level by the respective operating companies, with each company being responsible for addressing concerns relevant to its business operations.

Stakeholder	Action to Address Stakeholder Interest	Engagement Methods and Platforms
Shareholders	<ul style="list-style-type: none"> • Implementation of investor relations communications strategy through market forums. • Consistent and timely sharing of relevant information on financial results and new announcements. 	<ul style="list-style-type: none"> • Announcements to Bursa Malaysia. • Quarterly and annual statements. • Financial reporting. • Investor meetings. • Annual General Meetings. • Extraordinary General Meetings. • Corporate websites and publications.
Employees	<ul style="list-style-type: none"> • Provide structured training for employee development. • Enhance Human Resource policies. • Employee performance feedback. 	<ul style="list-style-type: none"> • Training and development activities. • Emails, corporate websites and publications. • CSR, social and sports activities. • Employee engagement surveys. • Townhall meetings, dialogue sessions, events and celebrations. • Team building exercises • Social media.
Government, Regulators and Policy Makers	<ul style="list-style-type: none"> • Regular internal evaluation of company's compliance with legal requirements. • Conducting internal and external assurance. 	<ul style="list-style-type: none"> • Compliance reports. • Interviews and meetings. • Exhibitions, conferences and site visits.
Bankers and Investors	<ul style="list-style-type: none"> • Timely and consistent sharing of relevant information and financial results. • Implementation of investor relations communication through various channels. 	<ul style="list-style-type: none"> • Analyst briefings. • Financial performance results. • Corporate websites and publications. • Corporate site visits.
Customers, Suppliers and Industry Peers/ Partners	<ul style="list-style-type: none"> • Address customer feedback in a timely manner. • Maintain quality control and quality assurance processes at our business and project level. 	<ul style="list-style-type: none"> • Events and celebrations. • Exhibitions, conferences, meetings and site visits. • Corporate websites and publications.
Media	<ul style="list-style-type: none"> • Enhance media engagement strategies, media relations tools and guidelines. • Share company information on business, financial, and new development through appropriate channels. 	<ul style="list-style-type: none"> • Issuance of press releases. • Media events. • Corporate websites and publications. • Advertorial and advertisements.
Local Communities	<ul style="list-style-type: none"> • Implement initiatives with communities that focus on education, environment and community development. 	<ul style="list-style-type: none"> • Social events and festive celebrations. • Sponsorships and donations. • Townhall meetings. • Social media. • Corporate websites and publications.

2 ECONOMIC PILLAR

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

2.1 OUR BUSINESS STRATEGY

MMC Group continuously reviews and refines its strategic direction and initiatives to ensure sustainable growth. Our concerted efforts to grow the Ports and Logistics division are accompanied by significant emphasis to strengthen the Energy and Utilities capacity. At the same time, we also capitalise on large-scale Engineering projects and implement innovative ideas in developing Senai Airport City. We continue to make solid progress in each key focus area.

Please refer to the Management Discussion and Analysis (MD&A) section on pages 32 to 67 of this Annual Report for relevant information on our overall direction as well as financial and operational performance of various divisions.

2.2 UPHOLDING GOOD MARKETPLACE PRACTICES AND CORPORATE GOVERNANCE

MMC Group has incorporated a set of values and policies to guide transparency and good corporate governance in day-to-day operations, ensuring good marketplace behaviour throughout the organisation. Our core values are also present internal practice guidelines such as INTEC (Integrity, Innovation, Teamwork, Excellence and Commitment), the MMC Group Procurement Policy and MMC Competition Compliance Policy, among others.

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

MMC Corporate Integrity Policy Statement had been formalised and adopted at all levels of company business and operation. Enhancement to the Group Procurement Policy had also been made to require suppliers and vendors to sign the "MMC Integrity Pact" with the objective of strengthening efforts towards improving integrity and transparency in company procurement.

In addition, our Operating Companies, i.e., Port of Tanjung Pelepas (PTP), Johor Port Berhad (Johor Port) and Senai Airport Terminal Services Sdn Bhd (Senai International Airport) have signed the Ikrar Bebas Rasuah (IBR), an initiative by the Malaysian Anti-Corruption Commission (MACC) for the purpose

of emphasising and enhancing commitment to avoid and liberate any corrupt conduct. Several other collaborative anti-corruption awareness programmes with MACC have been conducted throughout the Group.

2.3 PORTS AND LOGISTICS

MMC Port Holdings Sdn Bhd

MMC Port Holdings Sdn Bhd's (MMC Ports) vision is to be the Premier Integrated Logistics Service Provider, poised as a one-stop logistics hub in Malaysia and within the region. Strategically, our ports are located at the world's busiest maritime lane - the Straits of Malacca - connecting the Indian Ocean with the Pacific Ocean through the South China Sea. The linkage provides passage that facilitates trade between the West and the Far East. MMC Ports manages the Malaysian gateway ports in the Southern region through Johor Port, PTP, and Tanjung Bruas Port Sdn Bhd (Tanjung Bruas Port); the Central region via Northport (Malaysia) Bhd (Northport) and the Northern region through Penang Port Sdn Bhd (Penang Port); facilitating international trade efficiently for Malaysian exporters and importers. Internationally, MMC Ports has a presence in Saudi Arabia via the Red Sea Gateway Terminal Company Limited, a container port terminal within the Jeddah Islamic Port.

Amidst a challenging landscape, MMC Ports aims to boost competitiveness through delivery of seamless and efficient service by expanding new trade lanes, securing new alliances and upgrading facilities.

MMC Ports' Key Economic Initiatives

2.3.1 Operational Efficiency

In line with MMC Ports' vision, the Group has undertaken major initiatives to improve its operational efficiency. This has also contributed to the development of the Malaysian economy by increasing competitiveness in international trade.

In the southern region, MMC Group has created the "Golden Triangle" of ports and logistics hub in Iskandar Malaysia by leveraging on the strategic location of the port and logistics assets. The Johor state has considered this as part of its "axis of growth" with PTP, Johor Port and Senai International Airport as key components of the state's logistics hub. The synergy between the Golden Triangle hubs creates sea-air and air-sea cargo possibilities for shippers and manufacturers. Investments have been undertaken to boost capacity and operational efficiency to sustain ports and logistics operations in tandem with the growth of Iskandar Malaysia. PTP invested RM262 million in 2018 on equipment purchases and upgrades as part of MMC Ports' continuous effort to improve productivity.

SUSTAINABILITY STATEMENT

As part of PTP's long term master plan, the port is continuously expanding its capacity to meet customers' demand, one of which is to carry out the dredging work to increase the draft depth to 18.5 metres from its current depth of about 16.0 metres. In 2018, RM126 million has been spent in channel deepening projects which is estimated to be completed by end of 2019 with a cost of RM244 million. The dredging of the Sungai Pulai approach channel is to cater for Triple E vessels and at the same time strengthen PTP's hub positioning in the Straits of Malacca.

In tandem with the development of the Iskandar Region, PTP is aggressively promoting its approximately 900 acres of Free Zone land, Phase 3 to 5, a fitting cargo hub for distribution, logistics, warehousing and manufacturing activities. The Free Zone is ideal for consolidation activities as well as for businesses seeking to set up an international procurement centre and regional distribution centre operations. PTP is ranked the World's Top 20 Busiest Container Terminals for 2017 and it remains one of the biggest single terminal operators and key transshipment hubs in Southeast Asia.

PTP continues to be one of the main hubs for the world's largest shipping alliance 2M, formed by the world's largest and second largest shipping lines, namely, Maersk Line, Mediterranean Shipping Corporation (MSC) and Hyundai Merchant Marine. PTP is also a key hub port for Evergreen Marine Corporation which is also a member of the world's second largest shipping consortium, the OCEAN Alliance. In April 2018, PTP docked Evergreen's largest vessel, the Ever Golden, the first 20,388 Twenty-foot Equivalent Units (TEU) Ultra Large Container Ships measuring 400 metres in length and 58.8 metres in width, signalling a testimonial in confidence for PTP to handle the world's biggest container vessels. On 18 August 2018, PTP became the first port in the world to depart a vessel with a final load onboard of 19,038 TEUs on vessel Maersk Mumbai. On 6 September 2018, PTP

recorded another milestone when the team successfully logged in a new all-time record of 9,013 moves on a single call vessel on MSC Rifaya. In December 2018, PTP handled 808,165 TEUs, the highest monthly volume recorded in PTP history (beating the previous record of 801,000 TEUs in August 2015). Consequently, full year 2018 volume stood at 8,960,865 TEUs, which was 7% higher than previous year.

In the Central region, Northport has undertaken capacity enhancements and operational efficiency improvements projects. In 2018, Northport spent RM66 million on new equipment. Northport's continuous efforts on upgrading berths include the expansion of Wharf 8 with additional 350 metres to its quay line, complimented by 17 metres draft and additional four super-post panamax cranes. This initiative will boost Northport's capacity, in tandem with the vision by the Ministry of Transport to raise Port Klang's as Malaysia Maritime Centre as stated in the Malaysia's Logistics and Trade Facilitation Masterplan (2015-2020).

Up north, Penang Port serves as the main gateway for shippers in the northern states of Malaysia as well as the southern provinces of Thailand. Connectivity to railway grid and highways enables excellent hinterland penetration, thus making Penang Port the export gateway of choice for shippers in southern Thailand. Currently, Penang Port is upgrading facilities at its container terminal to realign its crane rail and ancillary work which will increase wharf capacity up to 2.3 million TEUs. Works commenced on October 2018 with estimated capital expenditures of RM165 million.

2.3.2 PETRONAS Refinery and Petrochemicals Integrated Development

MMC Ports plays a strategic role in the development of the PETRONAS Refinery and Petrochemicals Integrated Development (RAPID) project in Pengerang, Johor through its subsidiary, Johor Port. Johor Port has been appointed as the operator of Pengerang

Jetty, providing comprehensive services including marine, equipment and systems operations. The success of this project will provide sustainable growth for Johor Port.

2.3.3 Johor Port Skills Centre

Since 2017, MMC Ports has been actively engaging in training and development to enhance employees' industry skills and knowledge. Johor Port Skills Centre (JPSC) was set up to provide port training services such as port management operations and strategic logistics collaborations and is currently expanding to neighbouring Indonesia. The centre has served as a catalyst to spur development and quality of port operations, employee competencies and management efficiencies, in tandem with international requirements. Johor Port's initiative and training standards are globally recognised with several courses being certified by the United Nations' TrainForTrade, a division of United Nations Economic and Social Council.

2.3.4 Swettenham Pier Cruise Terminal

MMC Ports is undertaking a RM155 million redevelopment of the Swettenham Pier Cruise Terminal (SPCT) terminal in Penang through its joint venture between Penang Port and Royal Caribbean Cruise Lines. This will include berth extension to increase efficiency and handling capacity to 12,000 passengers at any one time, up from 8,000 passengers presently. The current designing stage is expected to be completed by the third quarter of 2019. The completion of this project will bring MMC Ports one step closer to realising its vision to be an integrated logistics terminal in the region.

2.3.5 Halal Silk Route Initiative

MMC Ports has gained recognition for its efforts in the halal industry as it works towards its objective to become a centre of global halal distribution network with a vital link in transport and end-to-end logistics chain for halal manufacturers. The end-to-end logistics solution include halal transportation and warehousing by Kontena Nasional Berhad (Kontena

Nasional) as well as halal container handling and shipments to global destinations by Northport. This Halal Silk Route provides Malaysian halal producers and logistics providers with opportunities and a channel to expand and compete globally.

The first milestone of the Halal Silk Route Initiative was achieved in 2018 when Weifang Port in China received its first halal shipment from Malaysia. The fruitful collaboration between MMC Ports subsidiaries of Northport and Kontena Nasional as well as Sime Darby-owned Weifang Port was made possible with the support of both the Malaysian and Chinese Governments. Following this achievement, Northport plans to boost trade links with other regions, including Europe and the Middle East, by increasing freight flow of Malaysian halal products to the rest of the world.

2.3.6 Biomass Logistics Hub

Another area of interest is the Biomass Logistics Hub in Port Klang. MMC Ports has jointly established a centralised biomass processing hub in Southpoint, Port Klang, in collaboration with Cenengi Sea Sdn Bhd, Bioenergy Machinery Sdn Bhd and Environmental Preservation and Innovation Center Sdn Bhd. The hub processes various types of biomass, such as palm kernel shell, palm pellet, woodchips and wood pellet, as part of the Group's contribution in support of the Government's efforts to promote the biomass industry under the National Biomass Strategy 2020. With this initiative, Northport is targeting a total cargo throughput of 2 million tonnes annually by 2020, backed by key commodities such as bitumen, crude palm oil and biomass products.

2.4 SENAI AIRPORT TERMINAL SERVICES SDN BHD

Senai Airport Terminal Services Sdn Bhd (Senai International Airport) was formerly known as Sultan Ismail International Airport. It is the domestic and international airport serving Johor Bahru and the southernmost region of Peninsular Malaysia.

Senai International Airport site occupies 1,225 acres of land in the district of Kulai. The airport revenue is primarily derived from landing fees, passenger service charges and ground handling fees charged to the airlines operating passenger flights in and out of Senai; as well as ground and cargo handling fees to cargo carriers. Senai International Airport also derives revenue from other non-aeronautical business operations such as parking fees, rental of retail, advertising space, cargo and aviation operation space and the lease of land of free zone and aviation park area.

2.4.1 Passenger Movements

The increase in economic activities within Iskandar Malaysia has grown the demand for air travel in recent years. Passengers travelling through Senai International Airport have grown from 1.99 million passengers in 2013 to 3.52 million as of December 2018 with 12% Compounded Average Growth Rate (CAGR). Passenger traffic is forecasted to increase to 4.9 million passengers in year 2025.

In 2017, Senai International Airport embarked on a terminal renovation project to improve security and increase passenger capacity. Upon completion in March 2018, passengers enjoyed a more pleasant airport experience with the availability of more facilities and equipment, progress in security and speed as well as commercial offerings. The airport added 5,505 sqft of new leasable area to its departure hall, raising the total space to 16,043 sqft.

The investment in smoother processes for passengers and airlines that service them, alongside a wider range of facilities, also attracted more international names such as Starbucks, WH Smith, O'Briens Irish Sandwich Bar, Boost Juice, Burger King, Gong Cha and Pizza Hut; while local tenants The Zon Duty Free, Coffee Sandwich Revival and others, also offer more choices to the passengers and create jobs for the local community.

Passenger Movements	2016	2017	2018	Variance 2017 vs 2018 (%)
International Arrivals	38,699	74,764	119,190	59%
International Departures	36,597	73,488	112,390	53%
Total International Passengers	75,296	148,252	231,580	56%
ASEAN Arrivals	178,301	147,189	184,430	25%
ASEAN Departures	177,760	148,742	191,300	29%
Total ASEAN Passengers	356,061	295,931	375,730	27%
Domestic Arrivals	1,177,755	1,318,242	1,437,556	9%
Domestic Departures	1,218,962	1,362,374	1,477,710	8%
Total Domestic Passengers	2,396,717	2,680,616	2,915,266	9%
Total Passengers Movements	2,828,074	3,124,799	3,522,576	13%

SUSTAINABILITY STATEMENT

2.4.2 Aircraft Movements

Senai International Airport serves 11 domestic and seven international destinations through five airlines i.e AirAsia, Malaysia Airlines, Malindo Air, Firefly and Jin Air with an average of 108 commercial flight movements per day. Meanwhile, the non-commercial aircraft movements average 53 movements per day.

The total aircraft movements in 2018 increased by 12% as compared to the same period in 2017. An increase of 8% is seen in commercial/scheduled flight movements due to increased frequency for Kuala Lumpur, Penang and Bangkok by AirAsia. Jin Air has also commenced its scheduled flights from Incheon four times weekly effective 18 June 2018.

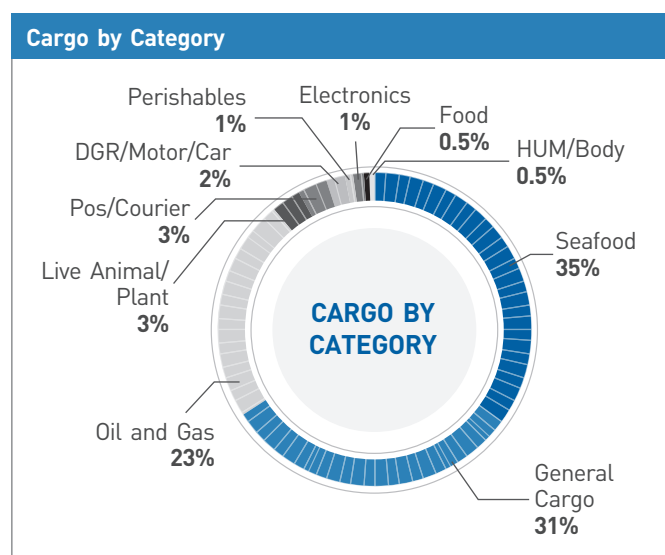
The total aircraft movements are expected to further increase with the introduction of two new domestic routes to Ipoh and Alor Setar with four flights weekly. The Johor Bahru - Ipoh route is the first Ipoh route operated by AirAsia. Below is the breakdown of aircraft movements by category:

Aircraft Movements	2016	2017	2018	Variance
Commercial/Scheduled	27,082	30,298	32,574	8%
Non-Commercial/Non-Scheduled (trainings, flying clubs, business jets)	15,475	16,199	19,456	20%
Total Aircraft Movements	42,557	46,497	52,030	12%

2.4.3 Cargo Movements

In 2018, Senai International Airport handled 9,691 tonnes of cargo, an increase of 27% over the same period in 2017 comprising live products (seafood, cattle and sheep), general cargo (garment and etc) and oil and gas cargo.

Cargo Tonnage (Tonnes)	2016	2017	2018	Variance
Inbound	3,972	4,399	5,232	19%
Outbound	2,273	3,214	4,459	39%
Total Cargo Movements	6,245	7,613	9,691	27%



Type of Cargo	Tonnes	%
Seafood	3,405	35%
General Cargo	3,019	31%
Oil and Gas	2,263	23%
Live Animal/Plant	238	3%
Pos/Courier	327	3%
Dangerous Goods Regulations (DGR)/ Motor/Car	162	2%
Perishables	115	1%
Electronics	120	1%
Food	20	0.5%
Human Remains (HUM)/ Body	22	0.5%
Total	9,691	100%

2.5 ENERGY AND UTILITIES

This Sustainability Statement excludes content on the operating companies under the Energy and Utilities division primarily because Malakoff and Gas Malaysia provide their performance disclosures in their respective Sustainability Statements. Please refer to the MD&A section of this Annual Report for the financial and operational performance of the division.

2.6 ENGINEERING

MMC Group's expertise and ability to consistently deliver beyond clients' expectation is an acknowledged fact. The journey to this point has been driven by innovation, meticulousness and cutting-edge technology. MMC Group's deliverables in engineering include 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

51 km Klang Valley Mass Rapid Transit (KVMRT) Sungai Buloh-Kajang (SBK) Line project in 2017.

MMC Group believes that success can only be ensured if the interest of all stakeholders are taken into account and appropriately addressed. As such, MMC Group strives to be a responsible corporate citizen by undertaking its CSR initiatives in an organised and systematic approach so as to ensure that business is always managed and operated in a sustainable manner.

2.6.1 Procurement Process

The following facts and data highlight MMC Group's efforts in building a sustainable business. To ensure economic sustainability and shareholder interest, MMC Group has developed an integrated procurement process that is transparent, standardised and systematic based on good governance, open and fair procurement. This in turn established a competent and competitive local supply

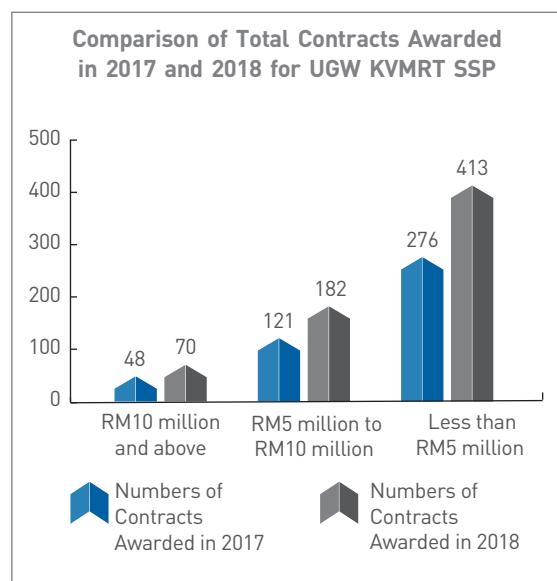
chain that is able to deliver compliant and quality products at reasonable cost within desired schedules.

2.6.2 Local Supply Chain

The continued success of MMC Group as an engineering powerhouse is dependent on stable and competent supply chain. MMC Group emphasises on the development of a local supply chain by developing long term relationships to ensure continuous and complete support towards the Group's goals. This strategy also bodes well for the national aspirations of developing small and medium scale enterprises (SME) with the support from well established industry majors.

We take pride in contributing to the positive outcome of this approach and in nurturing capable, successful supply chain participants. The following charts provide evidence of this achievement.

Small to Medium Enterprises (SMEs) Awarded KVMRT Underground Work Package (UGW) KVMRT Sungai Buloh-Serdang-Putrajaya (SSP) Line – Local Supply Chain/SMEs



Type	Category of Amount Awarded to Contractor, Consultant and Supplier	Year 2017		Year 2018	
		No. of Contracts Awarded in 2017	Contract Amount (RM'million)	No. of Contracts Awarded in 2018	Contract Amount (RM'million)
A	RM10 million and above	48	6,402	70	6,883
B	RM5 million to RM10 million	121	410	182	551
C	Less than RM5 million	276	187	413	367
Total		445	6,999	665	7,801

SUSTAINABILITY STATEMENT

SMEs Awarded Langat Sewerage Project Work Packages



Type	Category of Amount Awarded to Contractor, Consultant and Supplier	Year 2017		Year 2018	
		No. of Contracts Awarded in 2017	Contract Amount (RM'million)	No. of Contracts Awarded in 2018	Contract Amount (RM'million)
A	RM10 million and above	11	1,237	11	1,298
B	RM5 million to RM10 million	5	40	8	64
C	Less than RM5 million	6	6	37	25
Total		22	1,283	56	1,387

2.7 GROUP PROPERTY

The MMC Group Property division business model is to contribute to the Malaysian economy and sustain business activities by developing and managing over 5,000 acres of industrial development in an environmentally-conscious manner. Currently, the Property division develops and manages three industrial developments through its subsidiaries, as follows:

Industrial Development	Developer	Acreage	Location
Senai Airport City	Senai Airport City Sdn Bhd	2,718	Senai, Johor, Malaysia
Tanjung Bin Petrochemical and Maritime Industrial Centre	Seaport Worldwide Sdn Bhd	2,255	Tanjung Bin, Johor, Malaysia
Northern Technocity	Northern Technocity Sdn Bhd	354	Kulim, Kedah, Malaysia

2.7.1 Creating a Sustainable Industrial Development Ecosystem in Senai Airport City

Since its inception, MMC Group Property Division has envisioned Senai Airport City as a sustainable industrial development ecosystem to support the needs of various business operators and industrial players with appropriate infrastructure and flexibility to operate and grow. The following illustration shows the relationship of Senai Airport City with its co-developers, EcoWorld Development Group Berhad and IPark Development Sdn Bhd, in creating a sustainable industrial development ecosystem.

Currently, Hershey Malaysia Sdn Bhd is occupying 41 acres of land in Senai Airport City Free Zone, making it the largest Hershey chocolate factory outside North America.

Eco Business Park II and i-Park@Senai Airport City, two gated industrial parks offering ready-built factories within Senai Airport City, are developed by reputable developers Eco World Development Group Bhd and IPark Development Sdn Bhd and cater mainly to SMEs in the upstream and downstream supply chain.

Senai Airport City as a master developer targeting Multinational Companies, complemented by Eco Business Park II and i-Park@Senai Airport City targeting SMEs



2.7.2 Tanjung Bin Petrochemical and Maritime Industrial Centre as Strategic Oil Storage and Trading Hub

Tanjung Bin Petrochemical and Maritime Industrial Centre (TBPMIC) is developed by Seaport Worldwide Sdn Bhd. Measuring 2,255 acres, the development of TBPMIC is based on its strategic location to complement Singapore's oil and gas storage capabilities and aims to ride on the spill over of Singapore's position as an international oil and gas trading hub.

TBPMIC is strategically located opposite PTP, giving it an edge proximity to the international shipping route as well as land availability and deep-water marine accessibility. TBPMIC's sheltered waters with deep water channel of 17-meter natural draft and 3.6-kilometer shoreline is ideal for tank storage and maritime industries that require a private jetty.

Currently, one of the largest tank storage operators, ATT Tanjung Bin Sdn Bhd (ATB), a wholly-owned company of Vitol Tank Terminals International B.V. is occupying 123 acres of TBPMIC land and operating 56 tanks storage with a total storage capacity of 1,150,000 cubic metres (cbm). In addition, TBPMIC's connectivity will be improved with the construction of a bridge across Sungai Pulau connecting Gelang Patah and Pontian.

SUSTAINABILITY STATEMENT

2.7.3 Northern Technocity Sdn Bhd as a Supporting Developer to Complement the Industrial Development Ecosystem in Kulim, Kedah

Northern Technocity (NTC) is a 354-acre development project by Northern Technocity Sdn Bhd (NTSB) strategically located within Kulim Hi-Tech Park (KHTP) in Kulim, Kedah, the sole high-technology park in Malaysia.

The NTC development caters to the needs of the 13 specific KHTP targeted industry segments, namely semiconductors, wafer fabrication, renewable and alternative energy, advanced electronics, medical and scientific instruments, process control and automation equipment, optical and electro-optical applications, optoelectronics, biotechnology, advanced materials, contract research and development services, aerospace and new and emerging technology.

It is a complementary industrial park to KHTP for SMEs looking to set up operations to support multinational companies in KHTP and also features a lifestyle commercial area designed for the

benefit of businesses and workers within the precinct as well as the community in surrounding areas. The design supports operators of restaurants, cafes, hypermarkets, supermarkets and other commercial activities.

2.7.4 Senai Airport City: Expansion of Free Zone and Development of Non-Free Zone Areas

In anticipation of rising demand from manufacturers and industrial players, Senai Airport City is currently expanding its Free Zone and Non-Free Zone areas.

This involves 180 acres of land across the Free Industrial Zone and Free Commercial Zone, mainly for manufacturing and logistics activities, respectively. The Free Zone comes with incentives offered by the Malaysian Government to industries including tax incentives and other perks for Principal Hub operators. The overall expansion at Senai Airport City will be equipped with levelled platform as well as ready infrastructure and utility lines.

3 ENVIRONMENTAL PILLAR

MMC Group strives continuously to improve its practice, systems and procedures to ensure that the environmental criteria is integrated seamlessly into the business process. MMC Group allocates considerable resources in expertise, equipment and activities to ensure that environmental aspirations are met.

3.1 GOOD ENVIRONMENTAL PRACTICES

MMC Group has taken various measures to achieve best industry practices, striving to reduce the environmental impact in our day-to-day operations and making a difference with development projects that bring long term environmental improvement for the future.

3.1.1 Sustainable Development - Langat Sewerage Project





The Langat Sewerage Project, or the Langat Centralised Sewage Treatment Plant (Langat CSTP) was designed with environment friendly features built into the plant's innovative and modern facilities. It includes green technology initiatives and public facilities, in line with the Government's aspirations for environmental sustainability.

The Langat CSTP's design incorporates water recycle and reuse technology that include bio-gas co-generation within the plant. In addition, the power generated from the solar PV system is used within the plant. The effluent water reuse system is planned for use of equipment washing and for the odour control system. The Langat CSTP is also designed to house public sports and recreation facilities built above the plant. The public amenities include a landscaped park, solar farm, community hall, badminton, futsal, takraw and basketball courts.



PUBLIC AMENITIES AT THE LANGAT CSTP PROJECT

Various aspects of environmental impact have been carefully considered in the preparation of the Environmental Management Plan (EMP), which outlines all control measures to be undertaken during the project construction period. The Erosion and Sedimentation Control Plan (ESCP), which details the temporary control measures was implemented to limit the production of sediment by protecting and stabilising exposed or vulnerable soil surfaces; as outlined below:

Control Measures to Minimise Impact to the Environment				
Silt Fences	Sandbags	Wash Trough	Water Bowser	Silt Pond
Silt fences erected to protect the adjacent drain from loose earth	Sandbags used to protect the temporary drain	Wash trough is provided as part of the wheel wash facility	Water bowser is used to dampen the access road by suppressing fugitive dust	Silt ponds are provided to ensure the silted runoff is contained to arrest the silt before discharge into the water way
				

3.1.2 Wildlife Hazard Management - Senai International Airport

The safety of aircraft operating out of Senai International Airport is of paramount importance, and the management is cognisant of the risks posed by wildlife intrusion. While it is not possible to absolutely and entirely prevent wildlife intrusion from occurring, Senai International Airport takes preventive measures to mitigate the risks and to handle any such incident when it happens. In 2013, Senai International Airport drew up the Wildlife Hazard Management Plan (WHMP) under the Safety Management System (SMS) to reduce the frequency and severity of wildlife intrusions through conducting studies on wildlife species and habitats that pose significant hazards to aircraft. It also supports the requirements of ICAO DOC 9137 (Part 3) and Senai International Airport's SMS.

Senai International Airport has adopted the following passive and active management plans and measures to prevent risks and aircraft accidents due to bird strikes at the aerodrome:

Passive Management

- Periodic grass cutting in airport grassland:** Scheduled grass cutting and maintenance to keep airside grass at an acceptable length for aesthetic purposes.
- Tree cutting along perimeter fencing area:** Trimming and removing shrubs and trees to reduce the browse for mammals, berries as well as fruits for birds and other animals.
- Waste bins to be covered at all times:** Denying wildlife access to edible waste through use of well-sealed waste bins. Garbage containers are placed in specially designed outdoor facility (waste transfer station) to prevent wildlife access while spilt waste at garbage loading areas are monitored, promptly and regularly cleaned.

Active Management

- Live trapping by Department of Wildlife and National Parks (DWNP/Perhilitan):** Live trapping method is used for specific birds or animals that could cause persistent problems.
- Vehicle patrols:** Regular patrolling along the airside's perimeter area to deter the wildlife (birds or other animals) from encroaching the aircraft movements area.

SUSTAINABILITY STATEMENT

Since the formation of WHMP in 2013, Senai International Airport has been closely tracking occurrences of wildlife intrusion. The number of intrusions rose to 11 in 2017 from two in 2016, due to wildlife shifting activities as a result of land clearing for agriculture and housing development in the airport vicinity (Bandar Putra). However, such incidents reduced tremendously in 2018.

To date, no aircraft damage or serious accident due to bird strikes has been reported at Senai International Airport.

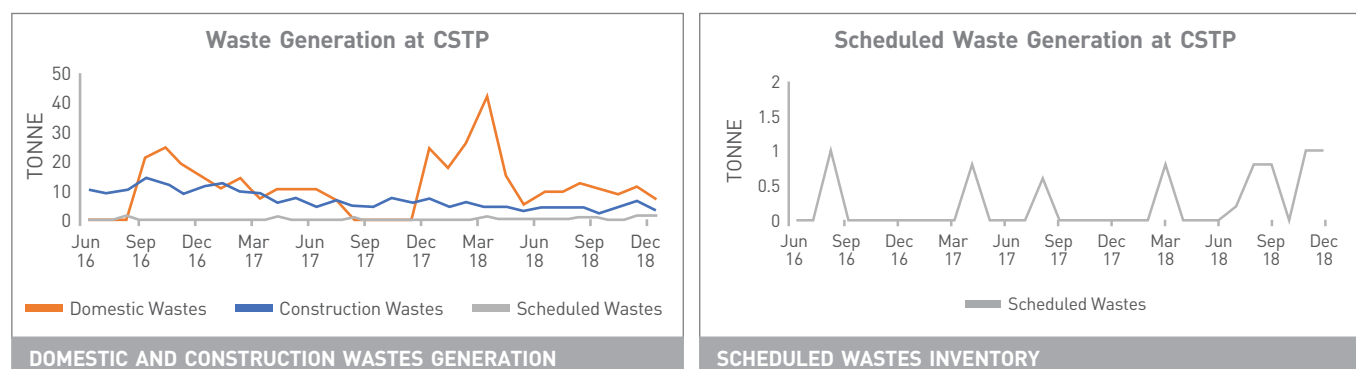
Annual Bird Strikes	2016	2017	2018
Number of Bird Strikes	2	11	6
Bird Strike Rate per 10,000 Aircraft Movements	0.47	2.37	1.20

3.2 WASTE MANAGEMENT

3.2.1 Langat Sewerage Project

Domestic waste generated at the Langat Sewerage Project is transported to an approved dumpsite in Air Hitam Sanitary Landfill, Puchong, for disposal while construction waste is disposed of at the Dengkil Inert Waste Landfill. A licensed waste contractor was engaged to dispose of scheduled wastes according to the Environmental Quality Act (EQA) 1974 requirements.

The graph below depicts the level of domestic and construction waste generation. The generation of domestic waste is largely stable with a downward trend over the construction period. However, construction waste increased in tandem with construction activities, mostly generated at the peak of the project.



The increased volume of wastes has been managed in accordance with local authority requirements and the Reduce, Reuse and Recycle method (3R). To ensure proper waste management at the peak of construction, proper comprehensive planning is made to minimise mistakes and rework. Moving forward, waste management effectiveness and efficiency will be continuously monitored and improved throughout the construction phase, by ensuring only licensed transporters are appointed and all wastes are sent to the designated landfill approved by the local authority.

There is a reduction in the generation of scheduled wastes with anticipation of improvement in the future. This positive development is further aided by the practice of proper waste generation collection and transportation by licensed scheduled wastes contractors.

3.2.2 Senai International Airport

Senai International Airport managed 840 tonnes of waste as of December 2018 and the quantity is seen to be gradually increasing in tandem with the rising number of passengers, tenants and flight movements. Generally, Senai International Airport generates five types of waste, namely municipal waste, construction and demolition waste, deplaned waste, scheduled waste and green waste. Uncontrolled waste discharge may affect the environment, give rise to hygiene issues as well as cause discomfort to airport users and the community.

To prevent this, Senai International Airport complies with the environmental statutory law under the Regulation 5 of Control of Pollution from Solid Waste Transfer Station and Landfill, which restricts the discharge of waste into the environment in contravention of the acceptable conditions. The Waste Management Initiative has been implemented to ensure proper monitoring and control on the disposal of waste from activities conducted by the airport community.

To date, Senai International Airport has embarked on the following waste management initiatives:

a) Data collection

Senai International Airport has started to monitor the amount and type of waste discharged by the airport community as well as the frequency of waste collection by the appointed contractors. The data is necessary for efficient waste management planning.

b) Engagement with the Airport Community

Senai International Airport is constantly communicating with the airport tenants and community to educate them and to ensure that all waste is being treated and discharged responsibly. Senai International Airport has also incorporated a clause in Tenancy Agreement on waste management, where tenants may be fined up to RM100 for violation of waste management regulations.

c) Increase Waste Collection Schedule

Senai International Airport is working closely with the local authority Kulai Municipal Council to increase the frequency of waste collection at the airport waste transfer station to ensure that waste does not remain at the station longer than necessary and reduce the risk of attracting pests and animals, such as flies and rodents, which threaten the airport's hygiene and safety.

d) Weekly Plastic Bag Free Day

Senai International Airport has implemented the Weekly Plastic Bag Free Day campaign in an effort to discourage the usage of single-use plastic bags.

3.3 ENVIRONMENTAL MONITORING

3.3.1 Langat Sewerage Project

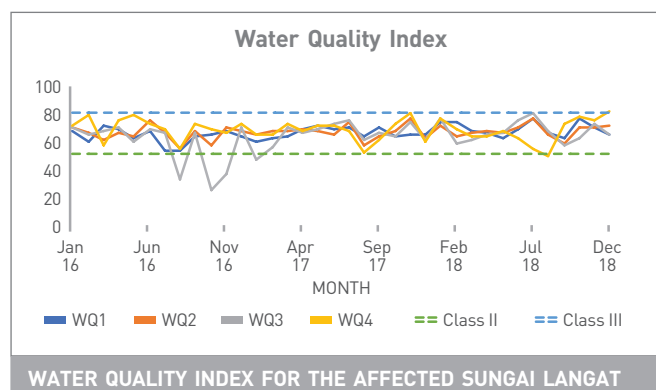
The following data reflects our continuous effort to ensure compliance with statutory requirements and industry benchmarks based on the environmental index.

a) Monthly Water Quality Monitoring

Sampling and monitoring of Total Suspended Solids, turbidity, Biological Oxygen Demand and Chemical Oxygen Demand are carried out for Sungai Langat water. The water quality results are compared with Class III, National Water Quality Standard for Malaysia, as per Department of Environment (DOE) requirement.

The water quality monitoring results for 2016 to 2018, presented as Water Quality Index (WQI) are shown in the next graph.

Generally, the water quality monitoring data shows that all monitoring points comply with Class III water quality, as stipulated by DOE. The water quality of Sungai Langat is preserved through the provision of adequate control measures, namely silt fences, sandbags, and silt ponds. The measures provided will be subjected to proper maintenance.

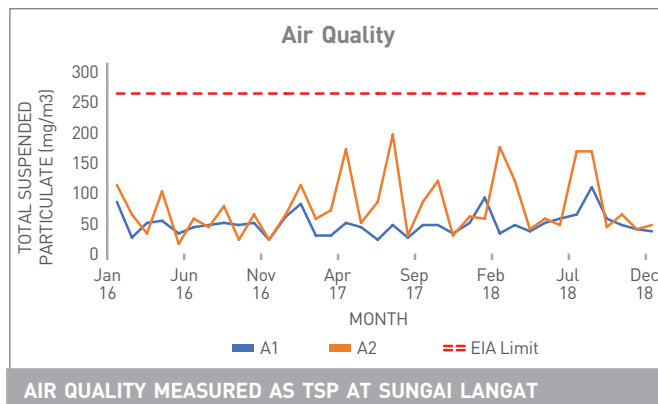


SUSTAINABILITY STATEMENT

b) Ambient Air Quality Monitoring

The air quality parameter being monitored is Total Suspended Particulates (TSP), which involves a 24-hour period monitoring and subsequent comparison and evaluation of the result based on the Malaysian Ambient Air Quality Guidelines.

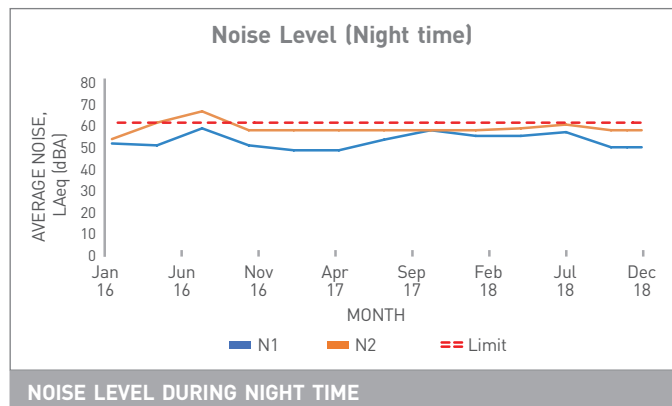
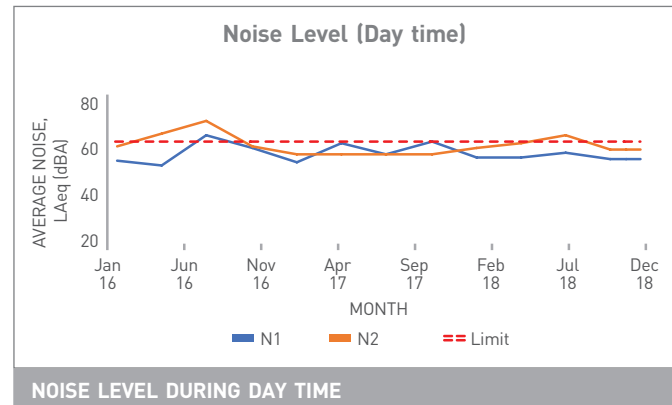
The test results show that the air quality measured in terms of TSP is well below the allowable limit by DOE throughout the construction phase. The current dust suppression practices of using a water bowser to dampen the access roads, maintaining low speed limit within the work areas and covering the lorries transporting earth, will continue to be implemented to maintain the ambient air quality. In addition, turfing and landscaping of completed work areas will be carried out as part of the air quality monitoring and maintaining measures.



c) Noise Level Monitoring

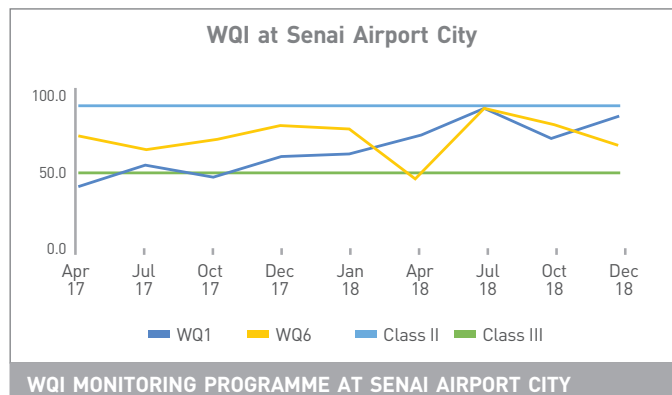
The Average Noise Level (LAeq) is monitored for a period of 24-hour on a monthly basis to gauge the noise levels since the commencement date of the project. The data collected are then compared against the limit set by the DOE.

The average noise levels recorded during the day and night at both monitoring locations are generally below the DOE's limit. To control the noise level, the project carries out noisy construction activities only during the day time whenever possible, curbs vehicle speed limit particularly for heavy vehicles and ensures all machinery engines are turned off when not in use. All these practices will continue to be enforced and continuously improved upon to ensure the noise level at the project site is within or below the DOE's specified range.

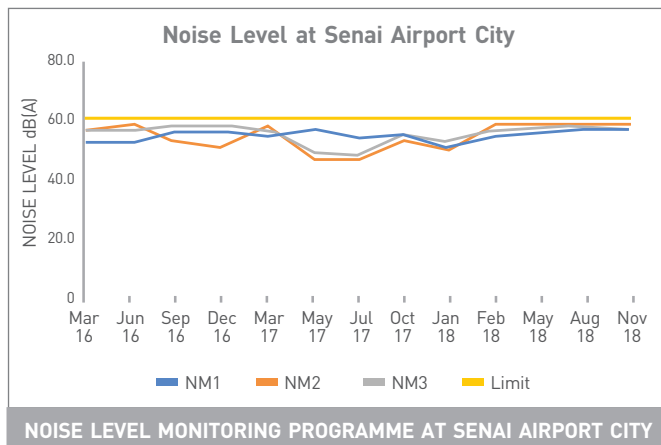


3.3.2 Senai Airport City

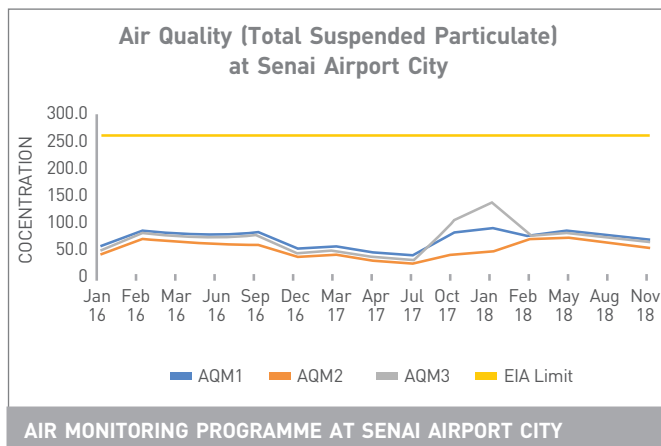
Environmental Impact Assessment (EIA) study for Senai Airport City site was carried out in 2008 and it was approved on 4 July 2008. Subsequent to the EIA approval, an EMP was drawn up and approved on 28 August 2009 to deal with all relevant environmental issues. The programmes carried out at Senai Airport City are Water Quality, Noise Level and Air Monitoring. The diagrams show the results of Senai Airport City's monitoring programmes.



Test results for water samples taken from Sungai Tebrau and Sungai Skudai from year 2017 until 2018 show that the WQI at Senai Airport City were within Class II and III levels. The results in early 2017 and 2018 show that WQI at the site were below Class III parameters. The results may be influenced by other sources since the monitoring locations were situated at the site boundaries.



Results reported for year 2016 to year 2018 show that the noise level at Senai Airport City did not exceed the limit and complied with DOE standards.



Based on the TSP test results, the air quality levels between 2016 and 2018 was well within the limit set by DOE.

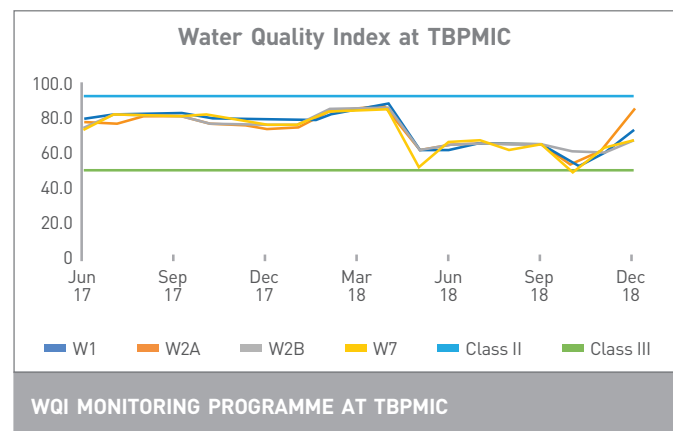
3.3.3 Tanjung Bin Petrochemical and Maritime Industrial Centre

Tanjung Bin Petrochemical and Maritime Industrial Centre (TBPMIC) has taken various initiatives to educate employees on environmental responsibility and to raise awareness through Health, Security, Safety and Environmental (HSSE) campaigns and enforcement.

In ensuring compliance with the EIA conditions of approval as outlined by DOE, we have appointed third-party consultants to carry out EMP and the subsequent monitoring programme at the project sites. The monitoring reports on river water quality and silt trap discharge are submitted to the DOE on a monthly basis while that for air quality and noise levels are presented on a quarterly basis.

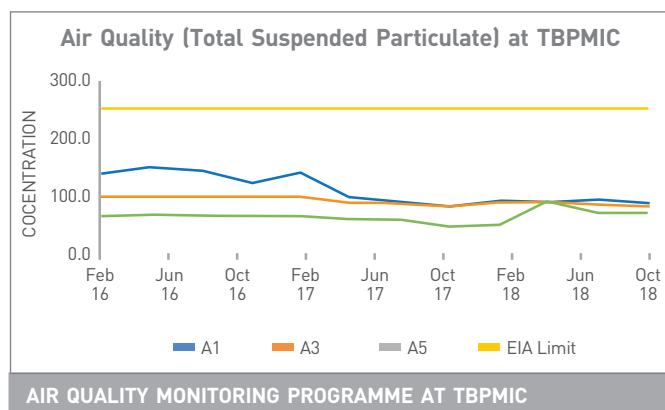
An additional bio-monitoring is conducted at the TBPMIC site and the reports are submitted to the DOE every 12 months to ensure that the surrounding ecosystem is not affected by development. All appointed contractors are required to adopt the Best Management Practices to avoid any untoward incident during the construction period.

EIA study for TBPMIC site was carried out and approval from DOE was obtained on 23 July 2007. Subsequent to the EIA approval, EMP was carried out and approved on 18 February 2009. The monitoring programme at TBPMIC covered Water Quality Index, Noise Level and Air Quality.

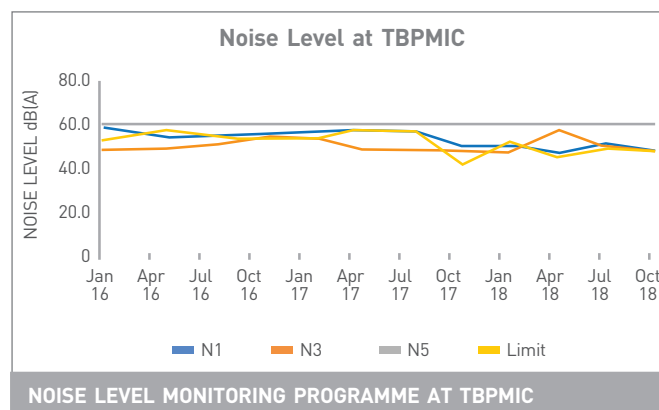


Results from the report for year 2017 until 2018 above show that TBPMIC's WQI is within Class II and Class III.

SUSTAINABILITY STATEMENT



Result from year 2016 to 2018 on the left shows that the air quality at TBPMIC is within the allowable limit.



Result from year 2016 to 2018 shows that the noise level at TBPMIC is within the allowable limit.

3.4 ENERGY CONSUMPTION

3.4.1 MMC Ports

Managing energy consumption is a priority for MMC Ports in order to have a sustainable operation and to promote the efficient use of energy resources. Among the key initiatives for electricity usage reduction is the implementation of Light-Emitting Diode (LED) lightings, particularly at the ports, alongside the following measures:

- reducing Quay Cranes Lighting during operation at PTP, Johor Port and Northport;
- turning off Quay Crane and Rubber Tyre Gantry (RTG) lights when not in operation;
- using LED Light Bulbs at the terminal area - LED lightings at jetties and Dangerous Cargo Jetty at Johor Port, PTP and Penang Port;
- implementing lighting switch zoning to improve the lighting switch system at each specific zone; and
- relying on natural lighting to reduce the usage of artificial lighting during the day, with ongoing installation of transparent roof at Kontena Nasional's warehouses in phases.

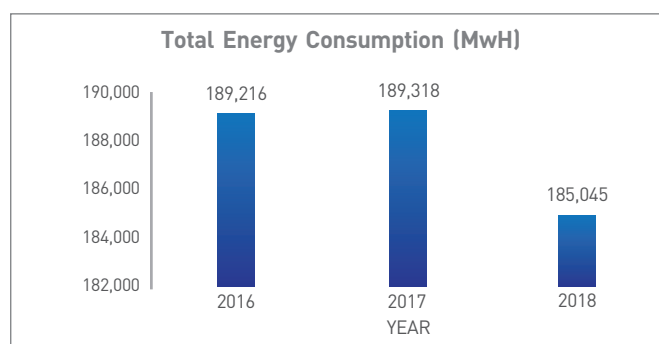
Energy Savings Initiatives in 2017 and 2018

Component	Project	Saving in Progress (RM)
Johor Port	21 QCs	19,321.00
PTP	8QCs + 29RTGc	175,321.00
Northport	1 QC (6 units LED light)	3,215.66
Penang Port	3 RTGs + 2 RMGs	130,985.00

Solar Energy

MMC Ports is collaborating with Universiti Tenaga Nasional to conduct research on solar renewable energy. MMC Ports aims to install the solar grid within its ports to achieve cost savings as well as add value and increase energy efficiency due to conversion of technology. MMC Ports monitors the energy consumption (in MWh) at all of its ports, as shown in the table below, to identify potential inefficiencies and cost saving areas:

Component	2016	2017	2018
Johor Port	17,225	15,206	13,231
PTP	104,113	106,309	114,985
Northport	48,442	40,005	36,002
Penang Port	12,696	24,921	18,853
Kontena Nasional	6,740	2,877	1,974



3.4.2 Senai International Airport

Senai International Airport is committed to maintaining the environmental quality and striking a balance between airport operations and environment management. Senai International Airport recognises that robust business growth in tandem with the state's flourishing travel and tourism industry will raise energy consumption and it has to be properly managed. Hence, various energy conservation measures are being put in place.

Senai International Airport has implemented an Energy Management Plan to reduce the environmental impact of high energy usage at the airport and executed several energy management initiatives, such as the installation of Variable Refrigerant Volume (VRV), Energy Saving Lights and Switch-off Timer. In addition, Senai International Airport is also planning to install the Energy Monitoring System (EMS), which will enable daily electricity consumption monitoring to identify critical areas requiring active energy utilisation management.

The following initiatives on energy conservation have been adopted by Senai International Airport:

a) Variable Refrigerant Volume

The VRV air conditioner system has been installed in Senai Business Aviation Terminal since March 2015. The system uses environment friendly R410A refrigerant. The VRV air conditioning system uses precise individual control and inverter technology, which minimises energy consumption to deliver optimum energy savings.

b) Energy Saving Lights

Senai International Airport is undertaking a gradual replacement of all conventional bulbs with 100% LED bulbs over a five-year period. By end-2017, 40% of the indoor conventional bulbs have been replaced with LED bulbs. Since the completion of the terminal renovation in March 2018, the airport has been using LED bulbs at the Check-in Counter and Departure Hall areas. This initiative helped Senai International Airport save energy consumption by 212,430 kWh per year, which is equivalent to 115,137 kg of carbon emissions per year.

c) Switch-Off Timers

Senai International Airport has embarked on this initiative since early 2017. To date, 17 air handling units have been installed with switch-off timers to control the energy consumption at the terminal, particularly for air-conditioning and lighting during operating hours. By doing so, excessive energy consumption in daily operations can be reduced.

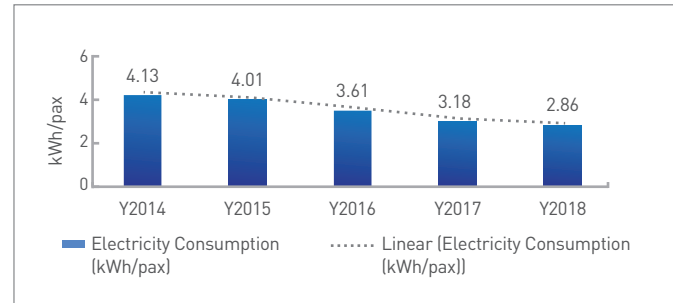
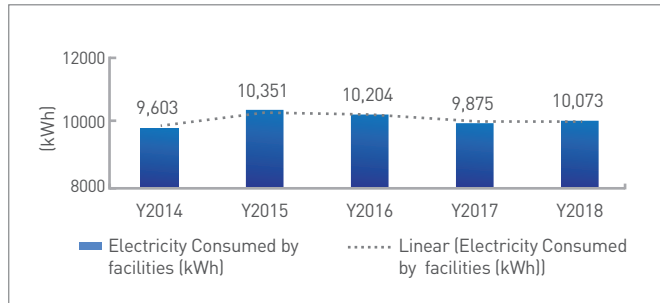
d) Electricity Monitoring Programme

Senai International Airport performs bi-weekly inspection on the electrical system to maintain its efficiency. The inspection monitors the electrical power factor that contributes to electrical equipment efficiency. Power factor monitoring or correction reduces demand charges and power system losses but increases load carrying capabilities in existing circuits to bring about greater efficiency and lower carbon footprint.

Positive result has been recorded in energy consumption since the implementation of the key initiatives in the following statistics. For 2018, there has been an increase in electricity consumption due to extended operating hours which is now 22 hours instead of 20 hours, and the opening of new retail outlets at the departure hall. However, the airport has managed to reduce the consumption per passenger in 2018 by 9.5% as compared to 2017.

Energy Performance Measure	2016	2017	2018
Total energy consumption (kWh)	10,195,470	9,875,158	10,073,043
Total passenger (international and domestic)	2,828,074	3,124,799	3,522,576
Energy per pax (kWh/pax)	3.61	3.16	2.86
Growth of Energy per pax (%)	-10%	-12.5%	-9.5%

SUSTAINABILITY STATEMENT



ELECTRICITY CONSUMED BY SENAI INTERNATIONAL AIRPORT FACILITIES ('000kWh)

3.5 CARBON EMISSION

3.5.1 MMC Ports

MMC Ports uses a carbon accounting system to measure the amount of carbon dioxide (CO₂) emissions at all ports, calculated based on diesel and electricity consumption. Details are as below:

Scope	Category	Measured Indicator
Scope 1	Direct Emissions	Calculated from consumed quantities of diesel. Diesel consumption by heavy equipment and machineries.
Scope 2	Indirect Emissions	Calculated from metred electricity consumption. Electricity consumption by equipment and machineries, building infrastructure, lighting masts, etc

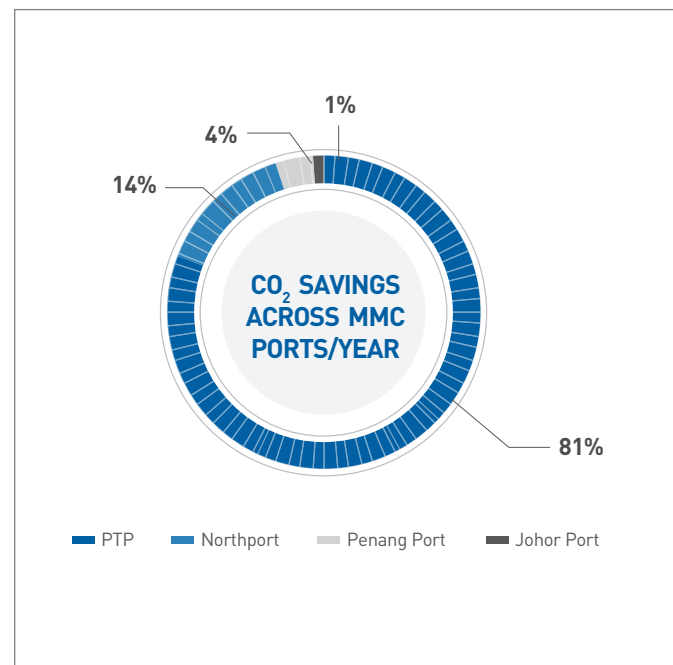
To reduce the environmental impact, MMC Ports has taken several steps in recent years to reduce emissions of equipment, particularly the Rubber Tyred Gantry (RTGs), and to have electrical or hybrid Prime Movers (PM). This initiative will significantly reduce the CO₂ emission.

Ports	RTG	E-RTG/Hybrid/VF RTG/RMG
PTP	163	Electrified-RTG (E-RTG)
Northport	84	<ul style="list-style-type: none"> 13 E-RTGs 24 Hybrid RTGs
Johor Port	24	3 VF RTGs
Penang Port	36	8 RMGs

Direct GHG emissions are emissions from sources that are owned or controlled by MMC Ports. Indirect CO₂ emissions are those associated with the consumption of fuel by equipment.

Company	2016	2017	2018
Johor Port	2,715,874	3,664,156	2,465,211
PTP	25,883,694	24,248,024	23,297,799
Northport	15,553,165	14,653,907	13,932,332
Penang Port	3,545,691	1,399,526	2,397,321
Kontena Nasional	4,479,147	2,854,308	1,999,535

TOTAL INDIRECT CO₂ FROM DIESEL CONSUMPTIONS



4 SOCIAL PILLAR

4.1 EMPLOYEE MANAGEMENT

Employees form the company's fundamental building blocks and their commitment, capability and performance in executing the planned business objectives and strategies are vital to MMC Group's growth and success. Having a team of world-class talent is a critical element for MMC Group and we strive to create a winning and excellent team through continuous development opportunities with fulfilling experience.

OUR APPROACH



Growth and Development

- Continuous development on functional, personal and leadership skills



Employee Engagement

- Provide fulfilling working experience to ensure a motivated, engaged and productive workforce



Succession Planning

- Unlocking potentials and nurturing the leadership and intellectual capacity

4.2 OUR TALENT

We remain steadfast in harnessing the full potential of our employees and helping them to strive for success by sharpening their core competencies and adding value to their capabilities. This is a major motivating factor for talent attraction and retention, which kept MMC Group's attrition rate at a mere 7% compared with the national average of 11%. MMC Group has been displaying fairly consistent statistics in total workforce and distribution among the businesses, as shown below, alongside positive outlook on revenue per employee.

Year	2016	2017	2018
Total Workforce	13,215	12,085	12,255
Ports and Logistics	61%	76%	77%
Energy and Utilities	12%	13%	13%
Engineering	25%	8%	6%
Other Services	2%	3%	4%

4.3 DIVERSITY AND INCLUSION

As an equal opportunity employer, recruitment, development, promotion and reward at MMC Group are based on merit and business needs. MMC Group encourages employee diversity throughout the organisation, promoting growth through new thinking, ideas and approach. Steps have been taken to promote diversity awareness and understanding among employees, with these diversity initiatives contributing to a positive work environment for all.

- Non-discrimination – Employee hiring is conducted through a fair and transparent process strictly based on merit and suitability for the job. We do not discriminate against people based on age, nationality, religion, gender, cultural, social status, disabilities, etc., and are dedicated to maintaining a safe and harassment-free workplace.
- Child/Forced Labour Prevention – Employment of minors (under the age of 14) is strictly prohibited as per regulations under the Children and Young Persons Act 1966 Malaysia.

The nature of our business shapes the composition of our employees, which has a high percentage of Non-Executive (NE) positions. This trend is prevalent in the ports and logistics as well energy and utilities sectors because of the substantial amount of operational work involved. This also explains the higher number of male employees.

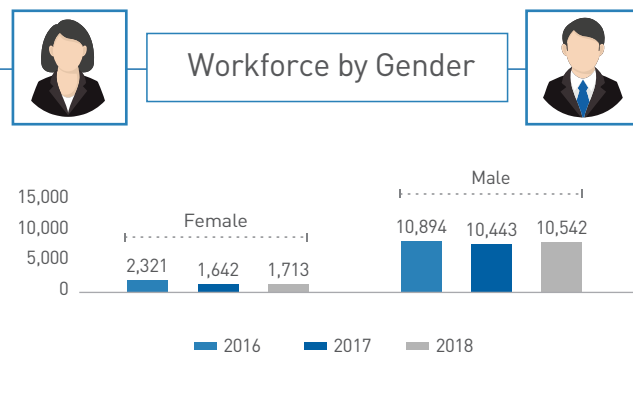
SUSTAINABILITY STATEMENT

Level	%
General Manager and above	1%
Senior Manager to Assistant General Manager	2%
Manager	5%
Executive to Assistant Manager	20%
Non-Executive	72%

EMPLOYEE PERCENTAGE OF DISTRIBUTION BY JOB LEVEL

In terms of age distribution, MMC Group's workforce has a healthy mix of young and old, which is ideal for a smooth transfer of knowledge, allowing for the preservation of tacit business know-how and effective generation of new ideas and approaches.

Age Distribution/Year	2016	2017	2018
50 years and above	13%	13%	12%
30 to 49 years	53%	57%	59%
Below 30 years	34%	30%	29%



- * For the year under review, 8,800 are NE employees where only 8% are female
- ** Approximately 5% of our total female employees are Senior Manager and above.

4.4 REWARDS AND RECOGNITION

MMC Group offers a blend of competitive monetary and non-monetary benefits that is aligned with the company's human capital strategy. To ensure the company's ability and competitiveness to attract and retain talents, a benchmarking study on compensation is conducted annually to obtain information on salary positioning, increments and other remuneration programmes. We have also conducted a review on the pay mix of our senior management. We continue to reward employees based on performance, reflecting our performance driven culture. As a caring organisation, the company provides advanced payments of salary to the employees in preparation for Aidilfitri and new year school term.

4.5 SUCCESSION PLANNING

MMC Group will continue to equip our talents with the necessary skills and confidence to lead and navigate the complex business environment. We conduct annual talent identification and talent review; develop talent leadership skills that focus on leading self, others, business and change; as well as provide an engagement platform with the senior management team.



Talent Identification



Talent Review



Development Programmes



Engagement Sessions

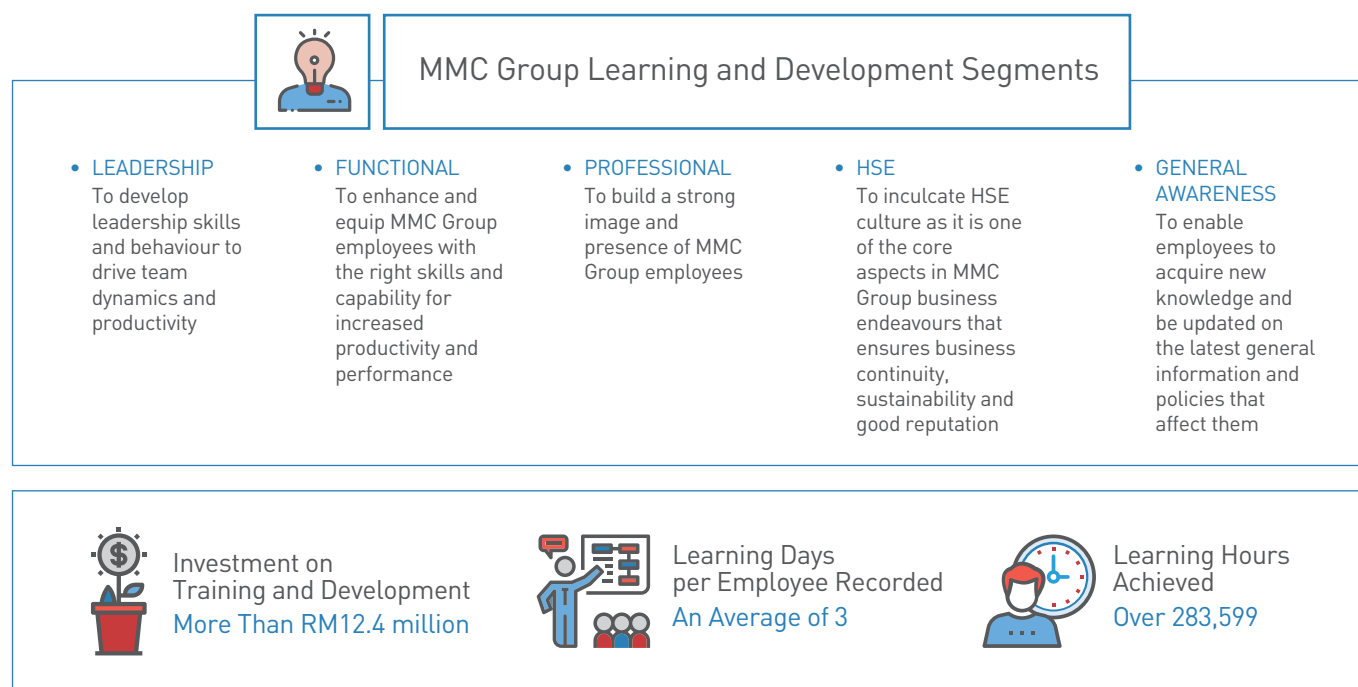
4.6 EMPLOYEE FEEDBACK

MMC Group believes in creating positive working experience for employees to motivate and inspire commitment that will lead to a positive emotional connection with the organisation. Our concern about employee welfare is reflected in our efforts to obtain employees' feedback through the Employee Engagement Survey and subsequent affirmative actions to narrow the gaps. The Employee Engagement Survey index indicators include Leaders, Development Opportunities, Compensation and Benefit, Authority and Empowerment, as well as Work, Structure and Process.

It is important for our employees to feel valued and connected at the workplace. Apart from providing development opportunities and implementing our human capital initiatives, several engagement programmes were conducted in 2018 to enrich the employees experience through functional, spiritual, social and philanthropic activities.

4.7 LEARNING AND DEVELOPMENT

MMC Group employees are provided with learning and development opportunities to prepare a ready and capable workforce. Our learning and development programmes are classified into five areas:



TOTAL TRAINING HOURS AND INVESTMENT

4.8 OCCUPATIONAL HEALTH AND SAFETY

MMC Group is committed to the health, safety and welfare of our employees, contractors, clients, visitors and neighbours. We believe that accidents and injuries are preventable. To us, safety is a choice, not a chance. Zero accident is our goal and we consider employees, contractors and stakeholders as part of the team to achieve this.

We are steadfast in continuously improving the health and safety standards and performance across the Group. We do so by complying and adhering to existing regulatory and statutory requirements, as well as promoting the industry's best practices in our operations.

SUSTAINABILITY STATEMENT

4.8.1 MMC Group

a) MMC Group Safety Rules

MMC Group Safety Rules governs high-risk activities to ensure work at all levels are carried out as safely as possible, eliminate unsafe conditions and restrain dangerous behaviour among the employees, contractors and visitors. The Rules apply to all across the Group, must be fully understood and strictly followed by everyone. The Rules are applicable to the management, employees, contractors and visitors of MMC Group of Companies.

b) Safety Signage and Speed Limit Visibility

In early 2018, MMC Group also placed significant emphasis on improving and enhancing safety signage and speed limit. The main focus was to improve the visibility of safety signage within the worksites where employees, contractors and visitors converge. The programme was initiated started with MMC Ports and was subsequently rolled out to other operating companies.

c) MMC Group HSE Day

MMC Group HSE Day was held on 16 October 2018 with the theme "Because, We Care". This is an annual event organised by MMC Group in collaboration with PTP, Johor Port, Penang Port, Northport, Senai International Airport, Kontena Nasional and MMC Pembetungan Langat Sdn Bhd. The objectives of MMC Group HSE Day are:

- i) as an on-going process to promote safety, health and environmental awareness culture among employees and other stakeholders of MMC Group
- ii) to demonstrate MMC Group's commitment towards safety, health and environment
- iii) to build good rapport with government agencies, local authorities, non-government organisations and other stakeholders

The following are HSE initiatives that were implemented by MMC Group's operating companies:

4.8.2 PTP

- a) Launched the 'PTP Fatal 5 Standards' programme to identify the top five risk areas within its operational boundaries and to focus on aggressively improving those areas. The risk areas identified are;

- i) Transportation and Pedestrian
- ii) Suspended Load and Lifting
- iii) Working at Heights
- iv) Stored Energy
- v) Control of Contractors

The objective of this program is to provide a safe work place to all PTP port users with minimum controls. These five risks have been clearly defined and benchmarked against the relevant standards.

- b) Introduced the 'Consequence Management System' which integrates the Operations, Human Capital Management, Port Police and HSE departments along with references and inputs from MMC Ports and APM Terminals. This Consequence Management System is applicable to all PTP port users. The objectives are:

- i) to provide a safe environment for all port users via a behavioural consequences management approach
- ii) to provide a standardised Consequence Management System for PTP
- iii) to clearly define the consequences for every listed offence

4.8.3 Northport

- a) Established the 'Loss Time Injury Reduction Task Force' comprising employees, contractors and tenants with the objective of improving the company's HSE performance. The task force holds regular engagements and awareness sessions with the management of the contractors as well as high-risk working groups.
- b) Initiated the 'Consequence Management Enforcement' and intensified enforcement of HSE Omission Notification focusing on incident prone areas, high-risk working groups and night inspections to ensure HSE compliance.
- c) Initiated the 'Visible Leadership Commitment' programme where the management participates in HSE walkabout and safety inspection activities. The programme also helps to identify areas requiring further improvements and sends a positive signal to stakeholders regarding the management's committed towards safety and health of the port users.
- d) Initiated the 'Heart and Mind HSE Culture' programme, using continuous educational communications such as campaign, posters, notices, internal bulletins and accident/incident sharing sessions to reach out to employees and contractors.

4.8.4 Johor Port

- a) Initiated the 'Joint HSE Walkabout' programme for the senior management to jointly participate in every HSE inspection activity with the HSSE Department. This demonstrates the management's commitment toward the safety of employees, contractors and visitors.

- b) Initiated the 'Le Tour De HSE' as a channel for the HSSE Department to discuss HSE-related concerns and gather feedback from various departments.
- c) Introduced a system of 'Color Coding Inspection' for scheduled inspection of high-risk/high-impact equipment and machinery that are identified by colour codes.
- d) Enforced the 'Unsafe Condition Unsafe Action' programme to constantly remind employees and contractors to exercise caution at all times and to report any unsafe behaviour committed by port users or any unsafe conditions identified at their respective workplace.
- e) Introduced the 'HSE KPI Sharing' programme to all departments and employees.

4.8.5 Penang Port

- a) Introduced the bi-monthly 'Senior Management Safety Walkabout', to identify and record any major findings as well as the required corrective and preventive measures.
- b) Initiated the 'HSE KPI Sharing' programme, which is applicable to all departments and employees.
- c) Appointed as Chairman of the '*Jawatankuasa Bersama Jabatan Keselamatan dan Kesihatan Pekerjaan Pulau Pinang – Industri untuk Bakal Pekerja*'.

4.8.6 Senai International Airport

- a) Initiated the 'HSE Joint Management Workplace Inspection' effort, to be carried out by the management and HSE Department on a quarterly basis along with the sharing of ideas and inputs from the inspections for better safety outcome.
- b) Committed to the 'Zero Vectors' programme in collaboration with the Airport Health Department Office and other government agencies, such as Kulai Municipal Council and Health Department of Kulai, to mitigate the issues of flies, mosquitoes and rodents.

4.8.7 Kontena Nasional

- a) Participated in the 'Mega Toolbox for World Occupational Safety and Health Day 2018' organised by the Malaysian Society for Occupational Safety and Health in May 2018.
- b) Organised the 'Accident, Investigation, Reporting and Prevention Training' in May 2018 to train participants on the preparation and presentation of precise and analytical accident reports. This includes identifying root causes, determining impacts and establishing effective corrective and preventive actions.

- c) Conducted a 'Drug Screening Programme' in collaboration with Agensi Anti Dadah Kebangsaan (AADK) to educate and discourage drug abuse among employees. This collaboration with AADK helped to enhance the effectiveness and integrity of the programme.

4.8.8 Routine Activities

In 2018, we continued to enhance our safety performance by strengthening the implementation of routine HSE activities throughout the Group such as:

- a) regular (daily and weekly) safety talks and toolbox briefings
- b) monthly Safety and Health Publications at operating companies and the Group level
- c) quarterly Group HSSE Meetings to share HSE experiences and discuss HSE strategies for individual companies and the Group
- d) regular training sessions on HSE competency and awareness among staff and contractors
- e) Emergency Preparedness Training for Emergency Response Team, including basic occupational first aids, emergency evacuation, etc.

5 CORPORATE SOCIAL RESPONSIBILITY

As we pursue our sustainability journey, MMC Group continues to fulfil its role as a responsible corporate citizen by pressing on with our current efforts and spearheading a number of new initiatives. In 2018, the Group undertook various corporate social responsibility initiatives focused on three key pillars: Education and Community Development, Human Capital Development and Environmental Preservation, details of which can be found on page 104.

MOVING FORWARD

The MMC Group has made significant progress in its sustainability journey in 2018. We are mindful of the other milestones that we aspire to achieve across the three EES pillars.

Given the size and diverse nature of the Group's business, the future is full of opportunities and possibilities. MMC Group will continue to grow together with our stakeholders - enriching lives, generating new employment, creating good business prospects and providing support to communities.

CORPORATE SOCIAL RESPONSIBILITY

Responsible management is an intrinsic principle in MMC Group's Corporate Social Responsibility (CSR) agenda, guiding us to act responsibly and ethically as well as to respect our people, community and environment. This is fundamental to value creation and profitability, and it is MMC's long-standing commitment.

The core of MMC Group's operations is connecting people. Our ports connect people to the world, our power plants support the growth of the nation, and the infrastructure we build bridges our community's social needs. Beyond this, we connect with our people, neighbours and environment through our CSR agenda, utilising our resources to advance social and economic benefits. Our strategy is to focus on areas that matter the most and bring lasting positive impacts to those around us. Our purpose to create a better tomorrow begins with matters that are closest to our heart, namely, Education and Community Development, Human Capital Development and Environmental Preservation.



EDUCATION and
COMMUNITY
DEVELOPMENT



HUMAN
CAPITAL
DEVELOPMENT



ENVIRONMENTAL
PRESERVATION

EDUCATION AND COMMUNITY DEVELOPMENT

Education opens to our children a world of opportunities and possibilities to improve their quality of life. By supporting continuous enhancement of knowledge, we empower our future generation with the ability to thrive and unleash their potential. We are steadfast in our mission to help our children with this stepping stone and accord them this most valuable legacy.



MMC Group's aim is to build a better tomorrow for the future generation and we achieve this by channeling our resources to education and development of children in underprivileged communities and youths. Our passion for empowering the next generation with knowledge stems from our belief that education is the key to pulling the underprivileged out of poverty and equip them to become efficient and productive employees of the future.



2 January 2018

Pelabuhan Tanjung Pelepas (PTP) held a Back to School programme, contributing school essentials to underprivileged students in Gelang Patah, Johor.



9 January 2018

Members of MMC Group in south Malaysia offered assistance to Johor flood victims.



9 February 2018

Northport (Malaysia) Bhd (Northport) organised a CSR programme for the less fortunate students of Sekolah Jenis Kebangsaan (C) Peng Ming, Teluk Panglima Garang, Selangor in conjunction with the Chinese New Year celebration.



11 February 2018

MMC Corporation Berhad (MMCB) organised a special visit to the House of Joy Orphanage, Puchong, Selangor in conjunction with the Chinese New Year celebration.



23 February 2018

Northport organised the Fire Emergency Awareness and Training programme for Maahad Tahfiz students in Klang, Selangor.



9 March 2018

Northport Fire Rescue Team assisted a dialysis centre in Sri Andalas by supplying clean water for its daily operations during a water disruption in Klang, Selangor.

CORPORATE SOCIAL RESPONSIBILITY



17 March 2018

MMCB organised an educational visit to the Islamic Arts Museum Malaysia, Kuala Lumpur for students from Tahfiz Al-Aziz, Semenyih, Selangor.



26 March 2018

Malakoff Corporation Berhad (Malakoff) launched the 'Jom Sarap' CSR programme. The programme involved seven primary schools with more than 900 students.



9 April 2018

Penang Port Sdn Bhd (Penang Port) contributed educational materials to three schools in Penang under the MMC Group Smart Circle Programme.



11 April 2018

Senai Airport Terminal Services Sdn Bhd (Senai International Airport) organised its sixth annual Blood Donation drive at the airport in collaboration with private healthcare.



12 April 2018

Kontena Nasional Berhad (Kontena Nasional) hosted an educational visit for Universiti Industri Selangor students at its business operations.



11 – 12 April 2018

PTP participated in the 2018 Universiti Malaysia Terengganu Industry Talk Programme and engaged with students with interests in ports, maritime and logistics sectors.



14 April 2018

PTP organised 'UPSR Motivational Talk' for 130 students from 13 primary schools within Gelang Patah, Johor.



20 April 2018

Northport collaborated with Wan Hai Lines for their fifth annual blood donation drive.



10 – 12 May 2018

Malakoff held a motivational talk and examination seminar called 'Program Kecemerlangan UPSR' for 156 students from seven schools in Mukim Serkat, Pontian, Johor.



23 May 2018

Malakoff through its wholly-owned Tanjung Bin Power Plant offered assistance to the fire victims of Kampung Tenggayun, Pontian, Johor.



24 May 2018

PTP distributed more than 3,000 packs of Bubur Lambuk to the local community and six mosques in Gelang Patah, Johor during Ramadan.



2 – 9 June 2018

Malakoff sponsored six iftar programmes in Penang, Selangor, Perak, Pahang, Johor and Negeri Sembilan. A total of 249 recipients in Mukim Serkat and Lukut received zakat contributions during the programmes.



5 June 2018

Senai International Airport celebrated 50 orphans from Sekolah Kebangsaan Senai and Sekolah Kebangsaan Senai Utama during an iftar programme.



5 June 2018

PTP together with Lembaga Pelabuhan Johor (LPJ) continued spreading the spirit of goodwill and cheer to the local community by organising its annual PTP-LPJ Tijarah Ramadan programme. A total of 150 underprivileged recipients benefited from the programme.



5 – 6 June 2018

Senai Airport City Sdn Bhd (Senai Airport City) and Seaport Worldwide Sdn Bhd (SWW) organised MMC Prihatin CSR Ramadan programme. A total of 100 underprivileged recipients from Kulai and Pontian, Johor received the aid.



10 June 2018

Gas Malaysia Berhad (Gas Malaysia) distributed provisions to 65 recipients from the Persatuan Orang-Orang Cacat Penglihatan Islam Malaysia during Ramadan.



10 June 2018

Members of MMC Group of Companies in southern region participated in the 'Bubur Lambuk Johor FM' programme, organised by the Johor State Broadcasting Department.



11 June 2018

Johor Port Berhad (Johor Port) organised the 'Gema Ramadan' programme which included Bubur Lambuk distribution to local communities and sponsored underprivileged children with their Hari Raya preparation.

CORPORATE SOCIAL RESPONSIBILITY



11 June 2018

Northport organised a visit to Bait Al-Mawaddah, an old folk home in Kampung Jalan Kebun, Shah Alam, Selangor in conjunction with Hari Raya celebration.



11 June 2018

Penang Port organised 'JOM SHARE' - a charity campaign in collaboration with Mutiara Food Bank, for the less fortunate during Ramadan.



3 July 2018

Senai International Airport hosted an educational visit for Crescendo-HELP International School students at its Fire Rescue Services Station.



21 July 2018

MMCB organised a visit to the Paediatric Ward of Sungai Buloh Hospital as part of the MMC Prihatin CSR programmes.



4 August 2018

MMCB paid a visit to Sri Mesra Old Folks Home, Ampang, Selangor and helped to clean up the residence.



4 August 2018

PTP organised Gotong Royong Perdana programme to refurbish Sekolah Kebangsaan Tanjung Kupang, Gelang Patah, Johor.



13 August 2018

MMC PLSB received a visit from Construction Engineering Technology Diploma students of Kolej Kemahiran Tinggi Mara, Sri Gading, Batu Pahat Johor.



16 August 2018

Johor Port donated refurbished computers to Sekolah Kebangsaan Kongkong Laut, as part of JPB Bright Tech Programme.



19 August 2018

Malakoff collaborated with Tanjung Piai Member of Parliament, YB Datuk Wira Dr. Md Farid Md Rafik, in distributing financial aid to 76 recipients at a ceremony held in Masjid Jamek Pekan Nanas, Pontian, Johor.



30 August 2018

Senai International Airport organised a 'Kibar Jalur Gemilang' programme together with the Senai Airport Taxi Association in conjunction with Merdeka Day.



22 September 2018

PTP and Johor Port held a community-based CSR programme, where Gelang Patah secondary school students experience the day-to-day port activities, operations and procedures.



27 September 2018

Northport organised a CSR programme with Maahad Tahfiz Darul Hafidzin, Rantau Panjang, Klang, aimed at educating and providing fire safety training.



2 October 2018

MMC PLSB hosted a mini seminar and educational visit for the Management and Science University students at the Langat Centralised Sewage Treatment Plant (CSTP) project site.



6 October 2018

MMCB visited the Pusat Pemulihan Dalam Komuniti, Selayang, a rehabilitation centre for youths with learning disabilities.



10 October 2018

MMC PLSB organised a seminar and educational visit for Universiti Kuala Lumpur's Malaysian Institute of Chemical and Bio-Engineering Technology students.



20 October 2018

MMCB organised a special CSR visit to Anbe Sivam Charity Home in conjunction with the Deepavali celebration.



21 October 2018

PTP participated in the Hari Alam Sekitar Negara 2018 at Institut Pendidikan Guru, Batu Pahat, Johor.



30 October 2018

Northport organised a Deepavali CSR programme at Sekolah Jenis Kebangsaan (Tamil) Jalan Tepi Sungai, Klang, Selangor in conjunction with the festive celebration.

CORPORATE SOCIAL RESPONSIBILITY



10 November 2018

MMCB organised an educational visit to the Islamic Arts Museum Malaysia for students from Maahad Tahfiz Al-Hikmah and Akademi Tahfiz Ilya Al-Quran, Selangor.



13 November 2018

MMC PLSB organised a seminar for Environmental Engineering students from University of Malaya, Kuala Lumpur.



14-15 November 2018

PTP held its annual PTP Soccer League Tournament 2018 for Gelang Patah primary school students to encourage healthy lifestyle and extracurricular excellence.



18 November 2018

Malakoff launched a mini library in Mukim Serkat to cultivate a reading culture within the local community especially among the younger generation. More than 300 books were donated by Malakoff employees.



21 November 2018

Members of MMC Group in the southern region worked together in a joint CSR initiative dubbed as the MMC Smart Circle Programme, helping develop school libraries.



22 November 2018

Penang Port organised the 'Back To School' programme which benefitted 40 underprivileged students from Sekolah Kebangsaan Bagan Tuan Kechil, Butterworth.



24 November 2018

MMCB paid a special visit to bring cheer to the residents of the Kajang Hospital Paediatric Unit.



26 November 2018

MMC PLSB organised a seminar and educational visit for engineering students from National Defence University of Malaysia and Universiti Tunku Abdul Rahman.



30 November-1 December 2018

PTP organised the inaugural PTP 2018 Career Insight Programme for Universiti Malaysia Terengganu students.



1-2 December 2018

Senai International Airport co-organised The Music Weekend 2018 event with Karen MusikHaus school for the third consecutive year.



8 December 2018

MMCB organised the Back To School programme for orphans of Rumah Kebajikan Kasih Sayang and Rumah Kebajikan Suci Rohani by providing school supplies for the new academic year 2019.



8-9 December 2018

Malakoff organised 'Karnival Rakyat Mukim Serkat' at Jeti Nelayan Kampung Tanjung Piai and Balairaya Pekan in Mukim Serkat, Johor. The event attracted more than 1,000 attendees from the area.



12 December 2018

Malakoff held an educational series called English is Fun at Masjid Al-Amin, Mukim Serkat as part of its CSR Education programmes.



12 December 2018

MMC PLSB organised a mini seminar and educational visit for students from Universiti Tenaga Nasional at Langat CSTP project site.



22 December 2018

Johor Port organised the Back To School programme for underprivileged students from Sekolah Kebangsaan Pasir Putih, Pasir Gudang and Persatuan Kebajikan Al-Zarafee Negeri Johor.

CORPORATE SOCIAL RESPONSIBILITY

HUMAN CAPITAL DEVELOPMENT

We actively support the development of competency, knowledge and education of our people in a variety of ways, bridging individual career aspirations of our employees with our business needs while retaining talents in our pipeline of future leaders.



MMC Group can only operate successfully if we ensure the sustainability of our resources and well-being of our employees. Balancing professional development with career opportunities forms part of a holistic approach to retaining diverse talents. We connect with our employees by creating a receptive and diverse culture, promoting equality and fairness, professional and personal development as well as lifelong learning.



5-8 February 2018

Johor Port launched the Modern Port Management Programme, organised by JP Skills Centre.



28 February 2018

PTP organised a townhall session to engage with employees and further empower the company's employee engagement culture.



2 March 2018

Kontena Nasional organised a bowling tournament to strengthen and cultivate work relationships between management and employees.



6 March 2018

Penang Port conducted a mock drill exercise - 'Bomb Threat Evacuation Drill' with the Royal Malaysia Police to strengthen the security measures at the Swettenham Pier Cruise Terminal.



9 March 2018

MMCB organised a Luncheon Talk featuring a woman corporate leader to inspire female employees to reach greater heights in their career.



13 March 2018

PTP collaborated with ATT Tanjung Bin and Malakoff Power Plant Response Team in conducting the Sungai Pulai Mutual Aid Response "SUPMAR".



16 March 2018

Northport organised a motivational programme titled Strengthening TeamNorthport's Core Value – Teamwork as part of the company's in employee development initiatives.



28 March 2018

Penang Port organised a townhall meeting with more than 300 employees attending the session.



29 March 2018

Penang Port organised an employee appreciation luncheon celebrating the company's achievement of a record high of 1.5 million TEUs in 2017.



30 March 2018

Johor Port organised a motivational programme for its employees called 7As Formula to Excellence to further spur employees to strive for excellence.



3 April 2018

Malakoff organised a graduation ceremony for Green Belt graduates of the Malakoff Lean Six Sigma programme.



6 April 2018

Kontena Nasional organised a townhall session to share the latest company updates.



6 April 2018

Northport launched its Equipment and Maintenance training modules under the Northport International Centre of Excellence Programme.



12 April 2018

MMCB organised a dialogue session between top talents with the Chairman and Group Managing Director as part of the employee engagement programmes.



25 April 2018

Senai International Airport organised its town hall session to share the company's latest updates.

CORPORATE SOCIAL RESPONSIBILITY



25-26 April 2018

PTP organised an in-house first aid and Cardiopulmonary Resuscitation training for the Emergency Response Team empowering them, with basic understanding to deal with emergency situations.



3 May 2018

Kontena Nasional organised the Employee Engagement Day and Blood Donation Campaign, in collaboration with various institutions to raise awareness on healthy lifestyle.



14 May 2018

Kontena Nasional organised the Accident, Investigation, Reporting and Prevention Training, aimed at ensuring timely reporting and investigation of accidents.



14-15 May 2018

Senai International Airport organised an asset management training which emphasised on good practices and principle of asset management.



31 May 2018

Northport organised a dialogue session for its employees during with the Northport Integrity Awareness Week.



7 June 2018

MMC Engineering Sdn Bhd (MMC Engineering) organised a seminar entitled Ergonomics at Work Environment.



26-27 June 2018

AIR Berhad (AIR Berhad) held a training on Energy Efficiency in Electrical System for mechanical and electrical technicians and plant operators.



28 June 2018

Penang Port organised its annual Raya Open House for employees with a Kain Pelikat theme.



29-30 June 2018

Penang Port organised its Management Retreat Programme aimed at improving the overall performance of the company.



5 July 2018

Kontena Nasional organised the 'Hari Raya Aidilfitri Kontena Nasional 2018' at its headquarters.



9-10 July 2018

Northport conducted a leadership program titled Business Thinking Manager for the management team. A group of 25 employees from all divisions were involved in the training.



13 July 2018

Gas Malaysia held a Hari Raya celebration at its corporate office in conjunction with Hari Raya Aidilfitri.



13-14 July 2018

PTP held a Family Day to celebrate its employees and their family members with a fun and unforgettable experience. More than 6,000 participants attended the event.



16 July 2018

Johor Port launched the UNCTAD Modern Port Management Program where international port experts share their valuable knowledge with participants. The program is running over a period of two years with 8 modules.



17 July 2018

MMCB kicked-off the Leadership Development Programme by Aon Hewitt initiating the 12 months curriculum for potential talents within MMC Group.



9-20 July 2018

PTP organised training sessions entitled Stress Buster!, Analytical Thinking, Problem Solving, Persuasion & Negotiation skills and Making A Difference for the Container Terminal Operations Performance team with the objective improving their interpersonal skills.



5 August 2018

MMC Engineering organised Bowling Tournament 2018 as part of a yearly tradition with the objective of strengthening work relationships and team spirit among employees.



7 August 2018

MMC Engineering conducted a training on Auditing ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, for Internal Auditors to better execute Internal Audits on ISO certifications at the company and project levels.

CORPORATE SOCIAL RESPONSIBILITY



14 August 2018

Johor Port organised a town hall session, aimed at strengthening employee relationships and sharing company updates and performance.



18 October 2018

Penang Port executed the Move-lah Challenge – a physical fitness campaign, aimed at promoting active and healthy lifestyle among the employees.



10 – 11 September 2018

MMC PLSB organised a family day event at Swiss Garden Beach Resort, Lumut. The event gathered more than 100 attendees.



28 – 29 September 2018

Northport organised a management retreat at Amverton Cove Golf and Island Resort, Pulau Carey, Klang, Selangor.



4 October 2018

Malakoff held its annual Health, Security, Safety and Environment (HSSE) Day at Lumut Power Plant, aimed at raising employee awareness on HSSE issues.



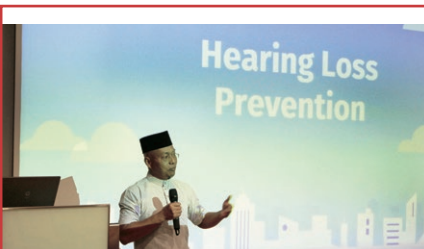
13 October 2018

SMART organised a team building event at Kalumpang Resort, Selangor to foster team spirit and strengthen relationships between employees.



16 – 17 October 2018

Johor Port organised Safety, Health and Environment Week to promote a safe and healthy work environment.



18 October 2018

Malakoff organised a talk on 'Hearing Loss Prevention' aimed at creating awareness on occupational health and safety at the workplace.



16 – 26 October 2018

MMC PLSB organised the HSSE Day and 5R Campaign, aimed at raising awareness on waste management system and environmental issues among employees.



29 October 2018

MMCB organised a talk on Blockchain Technology for board of directors and management team, to foster better understanding on the technology, its potential and strategic impact.



30 October 2018

MMCB invited the Pink Ribbon Wellness (L) Foundation for an awareness talk by cancer survivors in conjunction with Breast Cancer Awareness Month.



1 November 2018

Malakoff launched the Malakoff Management Development Programme at the Malakoff Academy of Excellence. The objective of the programme was to develop potential talents among the middle management to support Malakoff's growth in the future.



14 – 17 November 2018

SMART participated in the Sukan Kerja Raya IX in Ipoh, Perak. A total of 26 athletes participated in various games during the event.



3 & 4 December 2018

PTP held the Health and Wellness Programme to promote awareness on the importance of healthy lifestyle amongst employees.



8 – 9 December 2018

Malakoff organised a leadership training programme on Pillars of Holistic Leadership at Holiday Inn Glenmarie, Shah Alam, Selangor.



14 December 2018

Malakoff organised an Information Security awareness session to educate employees on the risks of scams and cyber-attacks.



18 December 2018

MMC PLSB organised a Snake Bite Drill with workers at Taman Impian Ehsan construction site, with the support from Kajang Fire and Rescue Department (BOMBA).



12 – 21 December 2018

Prai Power Plant, a wholly-owned subsidiary of Malakoff held its HSSE Week celebration.

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL PRESERVATION

Environmental responsibility requires us to incorporate sustainability into every aspect of our operations and use our resources and knowledge to bring positive impacts to our stakeholders and environment.



Climate change, which reflects the urgent need to save our planet, is driving various commitments around the world. As a responsible corporate citizen, we are committed to environmental stewardship focusing on the communities we serve and the surrounding areas where we operate. We have been working with our partners, Government agencies, educationists, environmental groups and local communities to reduce our carbon footprint, spearhead initiative in environmental conservation, drive efficiency and minimise waste. Our role is to lessen the impact of our operations on the environment while meeting the needs of our nation.



7 April 2018

Senai International Airport organised the Plogging Pulai initiative to clean the trails and streams at Mount Pulai, Johor.



27 April 2018

Northport organised a 3R Programme (Reduce, Reuse and Recycle) called 'Ayuh Kitar Semula' in conjunction with World Earth Day 2018.



29 September 2018

Malakoff in collaboration with Majlis Perbandaran Manjung successfully rallied more than 300 volunteers to clean up the shores of Teluk Senangin, Manjung, Perak during the 'Jom Plogging Bersama Komuniti 2018' CSR programme.



6 October 2018

Malakoff in collaboration with Majlis Perbandaran Subang Jaya and Yayasan Hijau organised 'Program Penanaman Pokok Malakoff-MPSJ'. The event took place at Taman Kejiranan Putra Bahagia 8/3K, Putra Heights, Selangor.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The 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 together 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 2018.

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. The Responsibilities of the Board

The Board of Directors, led by the Group Chairman, YBhg. Tan Sri Dato’ Seri 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, on 27 November 2018, approved the Group’s 5-Year Strategic Business Plan (2019-2023), which is driven by sustainable growth, 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Corporate Governance Model is supported by the Company's Limits 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. The Company ensures that the LOA is constantly updated and relevant, and in this regard, the LOA was last reviewed and approved by the Board on 24 August 2018.

There is a distinct and clear division of responsibility between the Group Chairman and 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 and the Board as a whole. The Board Policy Manual of the Company is made available on the Company's website, www.mmc.com.my, in line with the recommendation made by the MCCG.

Additionally, the Company has also made available its Code of Ethics ("COE") and a Whistleblower Policy on the Company's website, www.mmc.com.my. The objective of the implementation of the COE and the Whistleblower Policy is to enable the exposure of any violations or improper conduct or wrongdoing in the Company. 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 COE is a serious breach, and appropriate action will be taken for its 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 whistle-blower and the concerns raised are treated with the 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 comprises six (6) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors as at 31 December 2018, who were selected based on their expertise, experience, integrity and character. The Board consists of a majority of Independent 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 of Directors.

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.

In this regard, the appointments of Tee Beng Thong and Sharifah Sofia Syed Mokhtar Shah during the year reflect the Board's commitment in ensuring the Board's diversity in gender and age aspects, while taking into account the pertinent skills, knowledge and experience necessary to further enhance the composition of the Board.

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. Out of the nine (9) Directors, two (2) are women. The increase in the number of women representations on the Board reaffirmed the Board's commitment in supporting the country's aspiration in increasing women representation on the Board.

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 of the Company.

Based on the assessment exercise conducted for Financial Year 2018, it can be concluded that the Board and its committees are effective in discharging its responsibilities and there is no weakness identified.

In respect of Director's training programme, 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;
- Infrastructure development;
- Economic and Regulatory updates which are related to MMC's businesses;
- Emerging Information Technologies which could impact MMC;
- Trade trends and competitive threats which are critical to MMC's future Performance;
- Roles of geopolitics;
- Talent Development; and
- Cybersecurity.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Board also ensures that the remuneration received by the Directors remain competitive, appropriate and align with the market practice.

The details of the remuneration received by the Non-Executive Directors ("NEDs") and the GMD for the Financial Year 2018 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	4,553,322.00	166,926.71	258,150.01		4,978,398.72
NON-EXECUTIVE DIRECTORS						
No.	Name	Board Fee (RM)	Meeting and Fixed Allowances (RM)	Benefits-in-kind (RM)	Remuneration received from Subsidiaries (RM)	Total (RM)
1.	Tan Sri Dato' Seri Shamsul Azhar Abbas	600,000.00	28,000.00	88,627.05	708,000.00	1,424,627.05
2.	Dato' Abdullah Mohd Yusof ¹	32,000.00	40,000.00	–	–	72,000.00
3.	Datuk Ooi Teik Huat ²	96,000.00	113,662.00	35,000.00	103,950.00	348,612.00
4.	Dato' Abdul Hamid Sh Mohamed	96,000.00	78,500.00	35,000.00	–	209,500.00
5.	Dato' Siti Halimah Ismail	96,000.00	42,000.00	28,988.85	–	166,988.85
6.	Syed Naqiz Shahabuddin Syed Abdul Jabbar	96,000.00	40,000.00	35,000.00	–	171,000.00
7.	Dato' Ir. Jamaludin Osman ³	96,000.00	47,226.00	34,999.00	–	178,225.00
8.	Tee Beng Thong ⁴	96,000.00	35,613.00	35,000.00	–	166,613.00
9.	Sharifah Sofia Syed Mokhtar Shah ⁵	57,032.25	10,000.00	–	–	67,032.25

¹ Demised on 25 April 2018

² Re-designated as the Chairman of the Audit Committee with effect on 14 May 2018

³ Appointed as a member of the Audit Committee with effect from 13 March 2018

⁴ Appointed as an Independent Non-Executive Director with effect from 1 January 2018 and appointed as a member of the Nomination and Remuneration Committee with effect from 13 March 2018

⁵ Appointed as a Non-Independent Non-Executive Director with effect from 28 May 2018

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.

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 published on the Company's website at www.mmc.com.my.

The details of the activities of the Nomination and Remuneration Committee are described in the CG Report 2018.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. The Audit Committee of the Board

The Audit Committee comprises of three (3) members, a majority of which are Independent Directors. The Audit Committee is chaired by the Senior Independent Director, YBhg. Datuk Ooi Teik Huat, subsequent to the demise of the late YBhg. Dato' Abdullah Mohd Yusof on 25 April 2018. YBhg. Datuk Ooi Teik Huat was re-designated as the Chairman of the Audit Committee and a Senior Independent Non-Executive Director on 14 May 2018 and 28 May 2018, respectively.

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 a Director who is financially literate with the appropriate knowledge and experience, and strong understanding of the Company's business, 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 comprise a majority 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. The activities of the Finance, Investment and Risk Committee of the Board are also disclosed in the Company's Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2018, 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 the dissemination of corporate and financial disclosures.

II. Annual General Meeting ("AGM")

The Company values feedback from its shareholders and encourages them to actively participate in discussions and deliberations. AGM is 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 AGM, 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-Second AGM (42nd AGM) held on 14 May 2018 and engaged directly with the shareholders as well as responded to queries raised by the shareholders. The voting of the resolutions at the 42nd AGM was also conducted through the electronic voting system.

STATEMENT ON COMPLIANCE

Overall, the Company has substantially complied with the majority of the practices of the MCCG for the Financial Year 2018. The Board is committed and will continue to strengthen its application of the corporate governance practices and procedures throughout the Group, in pursuit of safeguarding the interest of all our shareholders and stakeholders.

The Corporate Governance Overview Statement has been approved by the Board of Directors at its Meeting on 27 February 2019.

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 2018.

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, analyse, 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.

Monitoring and Review

The objective of monitoring and reviewing the risk management process is to provide reasonable assurance that risks are being managed effectively. It is also to ensure that risk profiles drawn up reflects changing business conditions and exposures. 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.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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/Risk Committees and/or Boards.

Risk Reporting Application System

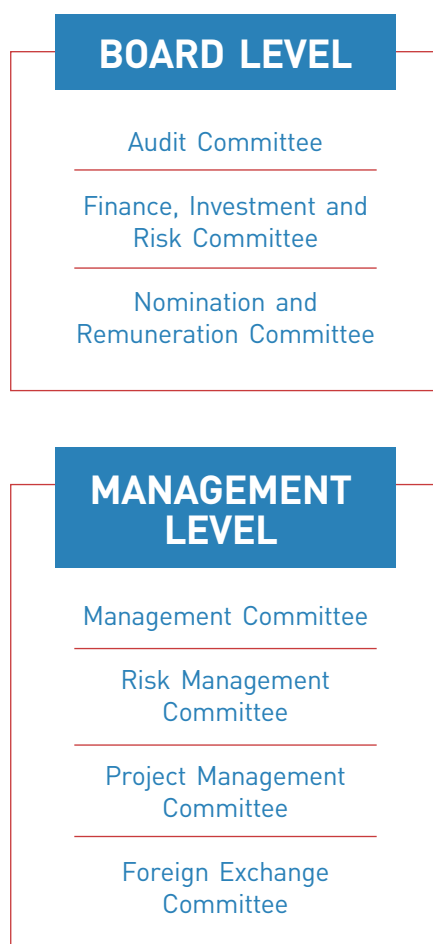
The Group risk profiles are monitored through a risk management solution, namely the Q-Radar ERM System, an online monitoring and database system for risk management. The system enables online real-time updates and monitoring of risk management record profiles for the Group.

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:-



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") identifies 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.

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 Whistleblower Policy is available and a whistleblowing 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.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 activities 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 systems 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 27 February 2019.

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 the financial year ended 31 December 2018 are set out below.

No	Name	Directorship	No. of Meetings Attended
1	Datuk Ooi Teik Huat (Chairman)	Senior Independent Non-Executive Director	5/5
2	Dato' Abdul Hamid Sh Mohamed (Member)	Independent Non-Executive Director	5/5
3	Dato' Ir. Jamaludin Osman (Member)	Non-Independent Non-Executive Director	4/4
	Dato' Abdullah Mohd Yusof (Former Chairman)	Senior Independent Non-Executive Director	1/2

Datuk Ooi Teik Huat was appointed as the Chairman of the AC on 14 May 2018 subsequent to the demise of Dato' Abdullah Mohd Yusof on 25 April 2018.

Dato' Ir. Jamaludin Osman was appointed as an Audit Committee member on 13 March 2018.

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.
- Two members, Datuk Ooi Teik Huat, an MIA member and Dato' Abdul Hamid Sh Mohamed fulfil the requirement of paragraph 15.09(1)(c)(i) of the MMLR.

AUDIT COMMITTEE REPORT

Datuk Ooi Teik Huat and Dato' Abdul Hamid Sh Mohamed have both exceeded the limit of tenure of an Independent Director (cumulative of nine (9) years). Both have sought and obtained approval to remain as Independent Directors from MMC Corporation Berhad's shareholders at last year's Annual General Meeting (AGM). Both will be seeking shareholders' approval to continue as an Independent Directors in the AGM to be held on 9 May 2019 applying Guidance 4.2 of the Malaysian Code on Corporate Governance 2017.

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 meeting.

The Company Secretary acts as secretary to the AC. Minutes of each meeting is 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 AC 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 23 February, 25 May, 23 August and 22 November 2018 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 the Board for approval to ensure that the announcements reflect the situation and are representative of their views.

- Held a Special Audit Committee meeting to review the Audited Statutory Financial Statement for the financial year ended 31 December 2017 on 5 April 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 statements on 23 February, 25 May, 23 August, 22 November 2018 and 26 February 2019 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' 2018 Audit Plan on 23 August 2018, 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 financial reporting standards.
- Reviewed the External Auditors' fees and recommended it to the Board for approval.
- Held two (2) private discussions on 23 February 2018 and 23 August 2018 with the External Auditors without the presence of Management to ensure inter alia, 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 2019, 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 2018, revision to the Plan, the 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, harmonisation, standardisation and improving competencies in internal auditing.

Others

- Quarterly review and monitoring of recurrent related party transactions, their aggregate values and the percentage ratio to ascertain whether shareholders' mandate is required.
- Reviewed the Audit Committee Report 2018 for incorporation into the Annual Report 2018 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 AC and an administrative reporting to the Group Managing Director.
- GIA's purpose, objectives, authority and responsibilities are spelt out in the GIA Charter which is approved by the Board.

- 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 Malaysia.
- 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, USA.
- There were eight (8) staff in GIA during the financial year.
- The total amount incurred by GIA during the financial year is RM2 million.

Assurance Services

- GIA prepared a risk based Annual Internal Audit Plan 2018 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 2018 Plan on the assignments 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 23 planned and ad hoc assignments were presented covering the areas of control environment, risk management, procurement, project implementation & contract management, maintenance, revenue assurance, and human resource management and investigations.
- Follow-up audits were also performed to monitor and assess the closure of governance, risk management and control matters reported earlier.

AUDIT COMMITTEE REPORT

- 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.
- Updated the Group Internal Audit Charter to align it with latest International Professional Practice Framework (IPPF).
- Provided assertions to AC on compliance with IPPF and Code of Ethics.
- Formulation and adoption of Quality Assurance Improvement Plan Guideline.
- Provided guidance to subsidiaries to update the Internal Audit Charter and provision of assertions relating to compliance with the International Professional Practices Framework, Standards for the Professional Practice of Internal Auditing and Code of Ethics by the Internal Audit function.
- Provided oversight/guidance/assistance to internal audit functions on audit planning, report review and draft annual Internal Audit Plan for 2019.
- Held Quarterly Internal Audit Roundtable meetings with Heads of Internal Audit and staff within the Group to promote knowledge sharing and improvement in internal audit services.
- Invited external subject matter experts to present on topics relevant to internal auditors' development and knowledge each quarter during Quarterly Internal Audit Roundtable meetings.
- Initiated Quality Assurance Review and Quality Assurance Improvement Program within the Group.
- Spearheaded the update of Internal Audit Charter in Group companies with internal audit function.

Group Support Services

- Continued with collaborative audits in the Group to enable sharing of best practices on selected audits.
- Continued facilitation of 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 the in-house and outsourced service provider.
- Held Certified Internal Auditor preview sessions to encourage internal auditors to be certified and improve professionalism.

The report has been approved by the Board of Directors at its meeting on 26 February 2019.

FINANCE, INVESTMENT AND RISK COMMITTEE REPORT

CHAIRMAN

Non-Executive Independent Director

YBHG DATO' ABDUL HAMID SH MOHAMED

MEMBERS

- YBhg Datuk Ooi Teik Huat
Non-Executive Independent Director
- YBhg Dato' Siti Halimah Ismail
Non-Executive Independent Director

INTRODUCTION

The Finance, Risk and Investment Committee (FIRC) was established on 30 August 2013 and is responsible for overseeing the establishment and implementation of the risk management system of the MMC Group.

COMPOSITION

The FIRC comprises three (3) Non-Executive Independent Directors. Collectively, the FIRC members have a diversity of expertise, skills and experience. In addition, the FIRC is also committed to pursuing gender, age and ethnicity diversity as a combination of personalities provides a range of perspectives resulting in an improved quality of decision making.

KEY RESPONSIBILITIES

- Review, monitor and recommend to the Board on the financial plan, operational and capital budgets, annual and supplementary budgets as well as the financial performance of MMC Group of Companies;
- Monitor and review investments in subsidiaries and associate companies;
- Oversee the establishment and implementation of the risk management system of the Group in which the effectiveness of the system is reviewed annually;
- Review the risk management framework and policies and to subsequently recommend to the Board for adoption by the MMC Group;
- Review periodic reports on risk management in MMC Group of Companies and deliberate key issues highlighted by the Group Risk Management Committee;
- Review the effectiveness of MMC Group's strategies, policies, procedures principles and practices pertaining to sustainability in upholding good Economic, Environmental and Social ("EES") practices; and
- Review the Annual Sustainability Statement of the Group to be incorporated in the Annual Report prior to recommending the same to the Board for approval.

FINANCE, INVESTMENT AND RISK COMMITTEE REPORT

MEMBERSHIP AND ATTENDANCE

The FIRC meets at least once a year and at such other times as the Chairman of the Committee considers necessary.

The meeting shall be convened when the majority of the committee members present.

The Group Managing Director, Group Chief Financial Officer and Head of Group Risk Management attended the FIRC meeting as a permanent invitee. Other attendees, internal staff or external parties are invited to present on matters required by the FIRC.

In 2018, five (5) FIRC meetings were held and the attendance of each FIRC member is as follows:

FIRC Member	Number of FIRC Meetings	
	Attendance	%
YBhg Dato' Abdul Hamid Sh Mohamed Non-Executive Independent Director	5/5	100
YBhg Datuk Ooi Teik Huat Non-Executive Independent Director	5/5	100
YBhg Dato' Siti Halimah Ismail Non-Executive Independent Director	5/5	100
YBhg Dato Abdullah Mohd Yusof Demised on 25 April 2018	2/2	100

MAIN ACTIVITIES OF FIRC IN 2018

The FIRC principal activities in the year under review are summarised below:

- Deliberated the Group Strategic Risk and the corresponding key operational risks as well as key controls taken to manage the risks.
- Reviewed the Group Enterprise Risk Management Report and risk incidents which have occurred and deliberated the adequacy and effectiveness of mitigation actions taken.
- Reviewed the risk profiles and mitigation plans for projects with recommendations for further action to ensure that the projects meeting the objectives.
- Reviewed the viability and risks of new potential investments.
- Reviewed the Group's tax position and effectiveness of tax management.
- Reviewed the implementation and effectiveness of the Business Continuity Management program to ensure that an adequate and effective mechanism is in place to increase the company response and preparedness during crisis or disaster.
- Reviewed the Statement of Risk Management and Internal Control to be incorporated in the Annual Report which summarises the risk management practices and internal controls implemented by Management.
- Reviewed the Group Sustainability Statement and the effectiveness of related program and subsequently recommended it to the Board for approval.

CONCLUSION

The FIRC continues to diligently exercise its risk oversight responsibilities. This is to ensure that risk management is an integral part of the decision making process to achieve the Group strategic and long term objectives.

ADDITIONAL COMPLIANCE INFORMATION

1) MEETING ATTENDANCE RECORD FOR THE FINANCIAL YEAR 2018

No.	Name	Board	Audit Committee	Nomination and Remuneration Committee	Finance, Investment and Risk Committee
1.	Tan Sri Dato' Seri Shamsul Azhar Abbas	8/8	–	4/4	–
2.	Dato' Sri Che Khalib Mohamad Noh	8/8	–	–	–
3.	Dato' Abdullah Mohd Yusof ¹	3/4	1/2	1/1	2/2
4.	Datuk Ooi Teik Huat ²	8/8	5/5	4/4	5/5
5.	Dato' Abdul Hamid Sh Mohamed	8/8	5/5	–	5/5
6.	Dato' Siti Halimah Ismail	8/8	–	–	5/5
7.	Syed Naqiz Shahabuddin Syed Abdul Jabbar	8/8	–	4/4	–
8.	Dato' Ir. Jamaludin Osman ³	8/8	4/4	–	–
9.	Tee Beng Thong ⁴	8/8	–	3/3	–
10.	Sharifah Sofia Syed Mokhtar Shah ⁵	4/4	–	–	–

¹ Demised on 25 April 2018

² Re-designated as the Chairman of Audit Committee with effect from 14 May 2018

³ Appointed as a member of Audit Committee with effect from 13 March 2018

⁴ Appointed as an Independent Non-Executive Director with effect from 1 January 2018 and appointed as a member of Nomination and Remuneration Committee with effect from 13 March 2018

⁵ Appointed as a Non-Independent Non-Executive Director with effect from 28 May 2018

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 2018, are as follows:

No.	Fees	Group RM'000	Company RM'000
1.	Statutory Audit Fees	1,686	571
2.	Audit-Related Fees ¹	379	333
3.	Non-Audit Fees ²	50	40

¹ Fees incurred in relation to the performance of quarterly reviews

² Fees incurred primarily in relation to advisory services

ADDITIONAL COMPLIANCE INFORMATION

4) MATERIAL CONTRACTS INVOLVING INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

During the financial year, there were no contracts entered into by the Company and its subsidiaries involving the interest of the Directors and Major Shareholders.

5) CONTRACTS RELATING TO LOAN

There were no contracts relating to loans by the Company involving Directors and Major Shareholders for the financial year ended 31 December 2018.

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DIRECTORS' REPORT

for the financial year ended 31 December 2018

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 2018.

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 39 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	267,037	205,764
Attributable to:		
– owners of the Parent	220,080	205,764
– non-controlling interests	46,957	–
	267,037	205,764

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 2017 are as follows:

	RM'000
In respect of the financial year ended 31 December 2017, 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 2018	121,802

On 1 April 2019, the Board of Directors has approved and declared a single-tier dividend of 4.0 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM121,802,342 in respect of the financial year ended 31 December 2018. The dividend will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2019.

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

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

Cik Sharifah Sofia Syed Mokhtar Shah

(Appointed on 28 May 2018)

Dato' Abdullah Mohd Yusof

(Demised on 25 April 2018)

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 2018, 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.

DIRECTORS' REPORT

for the financial year ended 31 December 2018

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.

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; or
- (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(i) to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 1 April 2019.

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 150 to 285 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 2018 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 1 April 2019.

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 150 to 285, 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
[MIA No. 7546]

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

At: Kuala Lumpur in Wilayah Persekutuan

On: 1 April 2019

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 2018, 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 2018 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 150 to 285.

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.

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.

INDEPENDENT AUDITORS'

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></p> <p>The Statement of Financial Position of the Group includes RM1,984 million and RM367 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 (11.4% of the total Group non-current assets at 31 December 2018) and the complexity and judgemental nature of the key assumptions used that is Twenty-foot Equivalent Units ("TEU") growth, terminal growth and discount rates for the port segments and passenger volumes and value of land for the airport segment in determining the value in use ("VIU") of the respective CGUs to which goodwill and intangible assets have been allocated. 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 the 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 segment</u></p> <ol style="list-style-type: none"> 1. Twenty-foot Equivalent Units ("TEU") growth <p>We have assessed the reasonableness of the TEUs used in the projections against historical results and long term average industry growth rate.</p> 2. Terminal growth and discount rate <p>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>

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 (Continued)</u></p>	<p><u>Airport segment</u></p> <ol style="list-style-type: none"> 1. Passenger volumes 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 We have compared the value used to the latest available 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 RM3,360 million as at 31 December 2018. 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 3(f) and 15 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 fixed and 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>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>

INDEPENDENT AUDITORS'

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>Realisability of deferred tax assets</u></p> <p>The Group has recognised, as part of deferred tax assets, unutilised tax losses and investment allowance for service sector ("IASS") amounting to RM96.3 million and RM98.2 million respectively as at 31 December 2018.</p> <p>These losses and IASS are mainly from its port subsidiaries. The port businesses require high amount of capital expenditure and thus long gestation period on its investments.</p> <p>We focus on the unutilised tax losses and IASS in light of Budget 2019 announcement and subsequent amendments to the Finance Bill which imposes a time limit of 7 years on the carried forward losses and IASS.</p> <p>The new law affects the ability of the Group to fully utilise these tax assets within the stipulated time.</p> <p>Refer to Notes 3(d) and 21 to the financial statements.</p>	<p>We have gained an understanding of the implications of Budget 2019 and the subsequent amendments to the Finance Bill, together with management's assessment of potential exposure to its deferred tax assets.</p> <p>We have held discussions with management and evaluated correspondences with the regulatory authority to satisfy ourselves that no reversal of deferred tax assets is required at this juncture.</p> <p>We assessed the appropriateness of the related disclosures in Note 21 of the financial statements, and considered these reasonable.</p> <p>Based on the above procedures performed, we believe that the position taken by the Group is appropriate.</p>

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

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 2018 Annual Report which include the Corporate Overview, Corporate Structure, Corporate Information, Performance at a Glance, Chairman's Statement, Management's Discussion and Analysis, Sustainability Statement, Corporate Social Responsibility, 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.

INDEPENDENT AUDITORS'

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)

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.
- (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 39 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

02910/02/2021 J

Chartered Accountant

Kuala Lumpur

1 April 2019

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Revenue	4	4,983,770	4,160,095	1,677,318	1,026,066
Cost of sales	5	(3,324,432)	(2,618,745)	(1,205,959)	(480,244)
Gross profit		1,659,338	1,541,350	471,359	545,822
Other operating income:					
– items relating to investments		65,703	65,718	–	–
– others		165,685	193,280	89,151	42,341
Administrative expenses		(767,957)	(733,138)	(72,638)	(90,427)
Other operating expenses		(381,607)	(356,270)	(82,730)	(68,593)
Finance costs	6	(545,063)	(491,205)	(194,954)	(181,120)
Share of results of:					
– associates		144,342	124,025	–	–
– joint ventures		62,486	92,357	–	–
Profit before zakat and taxation	7	402,927	436,117	210,188	248,023
Zakat expense	8	(4,614)	(5,913)	(1,013)	(1,783)
Tax expense	9	(131,276)	(178,370)	(3,411)	(77,042)
Net profit for the financial year		267,037	251,834	205,764	169,198
Net profit attributable to:					
Owners of the parent		220,080	209,786	205,764	169,198
Non-controlling interests		46,957	42,048	–	–
		267,037	251,834	205,764	169,198

The notes on pages 166 to 285 are an integral part of these financial statements.

	Note	Group		Company	
		2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Other comprehensive income/(loss), net of tax					
<u>Items that may be reclassified subsequently to profit or loss:</u>					
Available-for-sale financial assets ("AFS")					
– fair value gains		–	8,554	–	–
– disposal		–	(65,410)	–	–
Movement in associates' reserve		(18,280)	1,708	–	–
Fair value adjustment - cash flow hedge		7,041	(33,140)	–	–
Currency translation differences		8,054	(33,168)	–	–
<u>Items that will not be reclassified to profit or loss:</u>					
Net changes in investment securities at Fair Value Through Other Comprehensive Loss ("FVOCI")		(24,578)	–	(24,869)	–
Remeasurement of defined benefit liability		(1,085)	(4,063)	–	–
Other comprehensive loss for the financial year (net of tax)		(28,848)	(125,519)	(24,869)	–
Total comprehensive income for the financial year		238,189	126,315	180,895	169,198
Total comprehensive income attributable to:					
Owners of the parent		191,232	84,267	180,895	169,198
Non-controlling interests		46,957	42,048	–	–
		238,189	126,315	180,895	169,198
Earnings per ordinary share attributable to the equity holders of the Company (sen):					
– basic	10	7.2	6.9		

The notes on pages 166 to 285 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	9,481,872	7,088,789	7,011,051
Investment properties	13	1,304,357	1,236,276	1,258,268
Interests in associates	15	4,440,459	4,491,425	4,553,189
Investments in joint arrangements	16	300,864	553,981	313,141
Investment securities	17	3,375	3,088	3,352
Inventories	22	1,885,008	1,861,811	1,734,356
Trade and other receivables	19	130,504	313,120	109,362
Derivative financial instruments	33	–	–	5,154
Intangible assets	20	2,351,125	2,964,383	2,914,441
Deferred tax assets	21	738,313	717,255	770,377
		20,635,877	19,230,128	18,672,691
CURRENT ASSETS				
Inventories	22	104,673	119,082	211,294
Trade and other receivables	24	2,224,992	1,963,643	2,112,105
Contract assets	34	411,094	252,848	217,803
Derivative financial instruments	33	–	3,868	21,241
Tax recoverable		127,437	71,724	42,620
Investment securities	17	8,289	–	77,642
Other investments – cash and cash equivalent	25	561,026	–	–
Deposits, bank and cash balances	26	1,055,662	1,005,525	1,224,409
		4,493,173	3,416,690	3,907,114
Assets held for sale	23	175,897	148,454	149,228
		4,669,070	3,565,144	4,056,342
TOTAL ASSETS		25,304,947	22,795,272	22,729,033

The notes on pages 166 to 285 are an integral part of these financial statements.

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Share capital	27	2,344,276	2,344,276	304,506
Reserves		7,215,374	7,145,944	9,222,589
		9,559,650	9,490,220	9,527,095
Non-controlling interests		733,217	717,797	697,952
TOTAL EQUITY		10,292,867	10,208,017	10,225,047
NON-CURRENT LIABILITIES				
Redeemable preference shares	28	16,674	33,349	50,023
Borrowings	29	8,146,154	7,474,881	7,551,654
Land lease received in advance	30	249,496	235,756	254,229
Provision for retirement benefits	31(c)	125,805	16,595	15,486
Deferred income	32	204,374	230,308	259,465
Deferred tax liabilities	21	603,215	543,408	527,653
Trade and other payables	31	383,472	311,866	308,792
		9,729,190	8,846,163	8,967,302
CURRENT LIABILITIES				
Borrowings	29	2,537,170	1,350,043	1,494,684
Trade and other payables	31	1,882,525	1,674,873	1,989,521
Contract liabilities	34	828,598	675,499	10,319
Tax payables		4,559	3,278	12,843
Deferred income	32	29,679	29,259	29,302
Derivative financial instruments	33	359	8,140	15
		5,282,890	3,741,092	3,536,684
TOTAL LIABILITIES		15,012,080	12,587,255	12,503,986
TOTAL EQUITY AND LIABILITIES		25,304,947	22,795,272	22,729,033

The notes on pages 166 to 285 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	12	164,469	121,286	14,357
Investments in subsidiaries	14	7,739,592	7,342,936	6,195,783
Interests in associates	15	882,293	917,109	922,083
Investments in joint arrangements	16	21,881	21,881	21,081
Amounts due from subsidiaries	18	253,491	366,827	1,527,317
Trade and other receivables	19	–	61,486	9,920
Deferred tax assets	21	–	–	27,418
		9,061,726	8,831,525	8,717,959
CURRENT ASSETS				
Inventories	22	2,460	7,296	9,539
Trade and other receivables	24	1,244,748	907,433	827,090
Contract asset	34	42,056	62,356	123,753
Derivative financial instruments	33	–	3,868	5,526
Tax recoverable		35,195	20,856	–
Investment securities	17	8,289	–	–
Other investments – cash and cash equivalent	25	197,464	–	–
Deposits, bank and cash balances	26	10,351	177,915	247,717
		1,540,563	1,179,724	1,213,625
Assets held for sale	23	2,796	303	303
		1,543,359	1,180,027	1,213,928
TOTAL ASSETS		10,605,085	10,011,552	9,931,887
EQUITY AND LIABILITIES				
Share capital	27	2,344,276	2,344,276	304,506
Reserves		3,464,208	3,405,115	5,397,489
TOTAL EQUITY		5,808,484	5,749,391	5,701,995
NON-CURRENT LIABILITIES				
Trade and other payables	31	42,200	21,800	28,764
Borrowings	29	2,640,284	2,670,879	2,520,557
		2,682,484	2,692,679	2,549,321

The notes on pages 166 to 285 are an integral part of these financial statements.

	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)
CURRENT LIABILITIES				
Borrowings	29	964,170	528,000	675,000
Trade and other payables	31	251,776	298,627	724,105
Contract liabilities	34	828,558	663,947	–
Amounts due to subsidiaries	18	69,613	78,908	276,005
Tax payables		–	–	5,461
		2,114,117	1,569,482	1,680,571
TOTAL LIABILITIES		4,796,601	4,262,161	4,229,892
TOTAL EQUITY AND LIABILITIES		10,605,085	10,011,552	9,931,887

The notes on pages 166 to 285 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	Note	Share capital RM'000	Foreign exchange reserve RM'000	*Revaluation reserve RM'000
At 1 January 2018 – as previously reported		2,344,276	63,580	28,120
Prior years adjustments	42	–	–	–
As restated		2,344,276	63,580	28,120
Net profit for the financial year		–	–	–
Other comprehensive (loss)/income:				
Share of movement in associates' reserves		–	(562)	–
Movement in value of investment		–	–	–
Fair value adjustment		–	–	–
Currency translation differences		–	8,054	–
Total other comprehensive income/(loss)		–	7,492	–
Total comprehensive income/(loss) for the financial year		–	7,492	–
Transactions with owners:				
Acquisition of a NCI		–	–	–
Dividend for financial year ended 31 December 2017	11	–	–	–
Dividends paid to non-controlling shareholders	14	–	–	–
Total transactions with owners		–	–	–
At 31 December 2018		2,344,276	71,072	28,120

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

The notes on pages 166 to 285 are an integral part of these financial statements.

Attributable to owners of the parent					
Non-distributable		Distributable			
Other reserves RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
3,066	4,588	7,071,281	9,514,911	717,797	10,232,708
–	25,773	(50,464)	(24,691)	–	(24,691)
3,066	30,361	7,020,817	9,490,220	717,797	10,208,017
–	–	220,080	220,080	46,957	267,037
–	(17,718)	(1,085)	(19,365)	–	(19,365)
(24,578)	–	–	(24,578)	–	(24,578)
–	7,041	–	7,041	–	7,041
–	–	–	8,054	–	8,054
(24,578)	(10,677)	(1,085)	(28,848)	–	(28,848)
(24,578)	(10,677)	218,995	191,232	46,957	238,189
–	–	–	–	(635)	(635)
–	–	(121,802)	(121,802)	–	(121,802)
–	–	–	–	(30,902)	(30,902)
–	–	(121,802)	(121,802)	(31,537)	(153,339)
(21,512)	19,684	7,118,010	9,559,650	733,217	10,292,867

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

	Note	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	*Revaluation reserve RM'000
At 1 January 2017 – as previously reported		304,506	2,039,770	98,085	28,120
Prior years adjustments	42	–	–	–	–
As restated		304,506	2,039,770	98,085	28,120
Transition to no-par value regime on 31 January 2017	27	2,039,770	(2,039,770)	–	–
Net profit for the financial year		–	–	–	–
Other comprehensive (loss)/income:					
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.

The notes on pages 166 to 285 are an integral part of these financial statements.

Attributable to owners of the parent						
Non-distributable		Distributable				
Other reserves RM'000	Cash flow hedge reserve RM'000	**Capital reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
59,922	31,085	374,945	6,596,133	9,532,566	697,952	10,230,518
-	29,371	-	(34,842)	(5,471)	-	(5,471)
59,922	60,456	374,945	6,561,291	9,527,095	697,952	10,225,047
-	-	(374,945)	374,945	-	-	-
-	-	-	209,786	209,786	42,048	251,834
-	3,045	-	(4,063)	(2,355)	-	(2,355)
8,554	-	-	-	8,554	-	8,554
(65,410)	-	-	-	(65,410)	-	(65,410)
-	(33,140)	-	-	(33,140)	-	(33,140)
-	-	-	-	(33,168)	-	(33,168)
(56,856)	(30,095)	-	(4,063)	(125,519)	-	(125,519)
(56,856)	(30,095)	-	205,723	84,267	42,048	126,315
-	-	-	-	-	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	30,361	-	7,020,817	9,490,220	717,797	10,208,017

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

Note	Non-distributable				Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	*Capital reserve RM'000	Other reserves RM'000	**Capital reserve RM'000	Retained earnings RM'000	
At 1 January 2018	2,344,276	-	-	-	-	3,405,115	5,749,391
Net profit for the financial year	-	-	-	-	-	205,764	205,764
Transactions with owners:							
Movement in value of investment	-	-	-	(24,869)	-	-	(24,869)
Dividend for financial year ended 31 December 2017	-	-	-	-	-	(121,802)	(121,802)
At 31 December 2018	2,344,276	-	-	(24,869)	-	3,489,077	5,808,484
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	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	-	-	-	-	-	(121,802)	(121,802)
At 31 December 2017	2,344,276	-	-	-	-	3,405,115	5,749,391

* 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.

The notes on pages 166 to 285 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES					
Profit before zakat and taxation		402,927	436,117	210,188	248,023
Adjustments for:					
Depreciation of:					
– property, plant and equipment	12	519,531	416,848	6,982	3,730
– investment properties	13	8,967	15,924	–	–
Amortisation of:					
– rights on airport business	20	4,196	4,196	–	–
– rights on port business	20	8,189	5,703	–	–
– rights on concession assets	20	3,504	23,249	–	–
– land lease received in advance	30	(11,002)	(14,137)	–	–
– deferred income	32	(29,285)	(29,282)	–	–
Impairment of:					
– property, plant and equipment	12	2,829	103	–	–
– intangible assets		–	739	–	–
– trade and other receivables	24	18,172	15,414	–	568
– amounts due from subsidiaries		–	–	–	929
– investment in an associate		–	–	–	4,974
Changes in fair value of derivative financial instruments		3,868	1,658	3,868	1,658
(Gain)/loss on disposal of:					
– property, plant and equipment		(2,174)	11,592	(3,241)	9
– assets held for sale		(4,805)	(784)	(2,076)	–
– available-for-sale financial assets		–	(65,718)	–	–
– investment properties		–	(16,551)	–	–
– joint ventures		–	(159)	–	–
Write-off of property, plant and equipment		8,776	8,682	20	–
Write-back of impairment of receivables	24	(3,737)	(4,283)	–	–
Dividend income		(150)	(725)	(293,972)	(369,970)
Accretion/(unwinding) of interest on borrowings		25,031	31,338	(3,938)	322
Allowance for slow moving stocks		12,083	(1,828)	–	–
Negative goodwill on acquisition of a subsidiary		(51,715)	–	–	–

The notes on pages 166 to 285 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES (Continued)					
Adjustments for: (Continued)					
Interest income		(39,212)	(25,815)	(22,471)	(2,481)
Interest expense		545,063	491,205	194,954	181,120
Share of results in:					
– associates	15	(144,342)	(124,025)	–	–
– joint ventures	16	(62,486)	(92,357)	–	–
Net unrealised loss/(gain) on foreign exchange		232	(1,041)	–	–
Provision for retirement benefits	31(c)	7,846	1,577	–	–
Fair value (gain)/loss on reclassification of investment in an associate to investment securities		(15,233)	–	1,658	–
		1,207,073	1,087,640	91,972	68,882
Changes in working capital:					
Inventories		(15,224)	(33,415)	4,836	2,243
Receivables		(228,754)	(99,916)	(284,530)	(57,779)
Payables		224,891	335,390	142,101	230,640
Deferred income	32	3,771	82	–	–
Cash generated from operations		1,191,757	1,289,781	(45,621)	243,986
Income tax paid		(74,274)	(154,977)	(17,751)	(75,940)
Zakat paid		(4,614)	(5,913)	(1,013)	(1,783)
Land lease received in advance	30	23,064	12,736	–	–
Retirement benefits paid	31(c)	(7,776)	(466)	–	–
Net cash flow generated from/(used in) operating activities		1,128,157	1,141,161	(64,385)	166,263

The notes on pages 166 to 285 are an integral part of these financial statements.

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
INVESTING ACTIVITIES					
Investments in joint ventures	40(b)	-	(180,800)	-	(800)
Investment in subsidiaries	40(a)	(1,453)	(16,813)	-	-
Disposal of a joint venture	40(c)	-	4,100	-	-
Advances to subsidiaries		-	-	(358,646)	(255,569)
Repayment from subsidiaries		-	-	75,359	89,610
Repayment from joint ventures		28,213	-	28,213	-
Advances to joint ventures		-	(14,164)	-	(14,164)
Repayment from associates		754	872	754	872
Dividends received from:					
- subsidiaries		-	-	195,956	266,958
- associates		162,603	163,819	52,066	53,862
- joint ventures		53,300	49,000	45,800	49,000
- others		150	725	150	150
Interest received		39,212	25,815	22,471	2,481
Proceeds from sale of:					
- property, plant and equipment		7,934	35,945	3,736	3,193
- investment properties		-	27,862	-	-
- assets held for sale		5,435	1,384	2,379	-
- available-for-sale financial assets		-	86,768	-	-
Purchase of:					
- property, plant and equipment		(874,934)	(544,419)	(53,476)	(113,861)
- intangible assets		(43)	(46,821)	-	-
- investment properties		(66,201)	(5,772)	-	-
Changes in deposits with maturity more than 90 days		182,940	(19,767)	95,849	(68,289)
Net cash flow (used in)/generated from investing activities		(462,090)	(432,266)	110,611	13,443

The notes on pages 166 to 285 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
FINANCING ACTIVITIES					
Dividend paid		(121,802)	(121,802)	(121,802)	(121,802)
Dividends paid to non-controlling interests of subsidiaries		(30,902)	(31,203)	–	–
Interest paid		(543,375)	(485,811)	(198,892)	(180,798)
Borrowings:					
– drawdown		2,726,821	900,142	1,577,000	570,000
– repayment		(1,893,451)	(1,152,894)	(1,167,487)	(567,000)
Advances from subsidiaries		–	–	–	6,505
Repayment to subsidiaries		–	–	(9,296)	(24,702)
Redemption of redeemable preference shares in a subsidiary		–	(22,810)	–	–
Repayment of dividend on redeemable preference shares in a subsidiary		(16,674)	–	–	–
Purchase of additional shares in a subsidiary from non-controlling interests		(635)	–	–	–
Movement in designated account and pledged deposit		2,661	5,776	–	–
Net cash flow generated from/(used in) financing activities		122,643	(908,602)	79,523	(317,797)
Net change in cash and cash equivalents		788,710	(199,707)	125,749	(138,091)
Foreign exchange differences		8,054	(33,168)	–	–
Cash and cash equivalents at beginning of the financial year		558,019	790,894	82,066	220,157
Cash and cash equivalents at end of the financial year		1,354,783	558,019	207,815	82,066
Cash and cash equivalents comprise:					
Deposits, bank and cash balances	26	1,055,662	1,005,525	10,351	177,915
Other investments – cash and cash equivalents	25	561,026	–	197,464	–
Less: Deposits with maturity more than 90 days	26	(239,090)	(422,030)	–	(95,849)
		1,377,598	583,495	207,815	82,066
Designated account and pledged deposit		(22,815)	(25,476)	–	–
		1,354,783	558,019	207,815	82,066

The notes on pages 166 to 285 are an integral part of these financial statements.

Note to the statements of cash flows:

Reconciliation of liabilities arising from financing activities:

Group

	At 1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12 2018 RM'000
Borrowings	8,824,924	290,252	1,568,148*	10,683,324
Redeemable preference shares	50,023	(16,674)	–	33,349
Total liabilities arising from financing activities	8,874,947	273,578	1,568,148	10,716,673

	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 1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	At 31.12 2018 RM'000
Borrowings	3,198,879	210,621	194,954	3,604,454
Amounts due to subsidiaries	78,908	(9,295)	–	69,613
Total liabilities arising from financing activities	3,277,787	201,326	194,954	3,674,067

	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 acquisition of a subsidiary, interest charged to profit or loss and interest capitalised.

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

The notes on pages 166 to 285 are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

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 and 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 judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement 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 2018 are as follows:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Share-based Payment – Classification and Measurement of Share-based Payment Transactions"
- Amendments to MFRS 140 "Investment Property – Transfers of Investment Property"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 "Investments in Associates and Joint Ventures"

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 42.

Other than that, the adoption of other amendments listed above did not have any impact on the current financial year or any prior financial year and is not likely to affect future financial years.

MFRS 9: Comparative information not restated

The Group has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9, where any, will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The detailed impact of change in accounting policies are set out in Note 42.

MFRS 15: Full retrospective transition method

The Group has applied MFRS 15 retrospectively. Comparative information for 2017 have therefore been restated to reflect the new requirements. The effects of the change in accounting policy were adjusted against retained earnings as at 1 January 2017 and were reflected in the Group's consolidated statement of financial position as at 1 January 2017. The detailed impact of change in accounting policies are set out in Note 42.

(A) BASIS OF PREPARATION (Continued)MFRS 15: Full retrospective transition method (Continued)

The Group has also elected the following practical expedients upon the adoption of MFRS 15:

- (i) contracts that began and ended in the same comparative reporting period as well as completed contracts as at date of transition, are not restated; and
- (ii) for all reporting periods presented before the first MFRS reporting period, the amount of transaction price allocated to the remaining performance obligation and an explanation of when the Group expects to recognise the amount as revenue are not disclosed.

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 2019

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

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 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 2018

(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 16 “Leases” (“MFRS 16”) (Continued)

The Group has assessed the estimated financial impact on its financial statements upon initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings and reserves as at 1 January 2019, as disclosed below:

	Group RM'000	Company RM'000
Increase in rights-of-use assets	1,479,208	–
Increase in deferred tax assets	179,044	–
Decrease in retained earnings	565,746	–
Increase in finance lease liabilities	(2,223,998)	–

- 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.

- Amendments to MFRS 128 “Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures”

Amendments to MFRS 128 “Long-term Interests in Associates and Joint Ventures” clarify that an entity should apply MFRS 9 “Financial Instruments” (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity’s net investment, for which settlement is neither planned nor likely to occur in the foreseeable future. In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

- Amendments to MFRS 9 “Financial Instruments – Prepayment Features with Negative Compensation”

Amendments to MFRS 9 “Prepayment features with negative compensation” (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a ‘held to collect’ business model.

The amendments will be applied retrospectively.

(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)

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 “Business Combinations” clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
 - Amendments to MFRS 11 “Joint Arrangements” clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.
 - Amendments to MFRS 112 “Income Taxes” clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
 - Amendments to MFRS 123 “Borrowing Costs” clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Unless otherwise stated, the Group and the Company are in the process of assessing the impact of the new standards and amendments 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(B) CONSOLIDATION (Continued)

(i) Subsidiaries (Continued)

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 9 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.

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.

(B) CONSOLIDATION (Continued)**(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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(B) CONSOLIDATION (Continued)

(iii) Associates (Continued)

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.

(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 leasesGroup 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(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.

(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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(II) INTANGIBLES (Continued)

(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. During the year, the Group had performed an assessment on the intangible assets upon finalisation of the concession agreement on 6 March 2018. Following the assessment, the Group had reclassified all the intangible assets as property, plant and equipment. 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 the useful lives of the concession period of 30 years.

(J) CONTRACT ASSETS AND LIABILITIES

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

(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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(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.

(R) REVENUE RECOGNITIONRevenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers controls of the goods or services promised in a contract and the customer obtains control of the goods and services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of indirect taxes, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Port and logistic operations

Revenue from port and logistic operations are recognised over the period in which the services are rendered and presented net of discount. The revenue is usually defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided. There is no obligation for returns or refunds nor warranty in the provision of the port and logistics related services by the Group.

(ii) Construction contracts

Revenue from construction contracts is recognised over the period in which the services are rendered.

For fixed-price contracts, revenue is recognised under the percentage of completion method, measured by reference to surveys of work performed. 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.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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.

(iii) Airport activity

Income from airport activity includes income from aeronautical revenue and non-aeronautical. Aeronautical revenue mainly refers to landing and parking fees, passenger service charges and ground cargo service. Non-aeronautical revenue mainly refers to carpark revenue, utilities services, maintenance income and other retail income.

Revenue from aeronautical is recognised at a point in time when the services are rendered and presented net of discounts. Non-aeronautical revenues are recognised over the period when services are rendered and presented net of discounts. The revenue is defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided. There is no obligation for returns or refunds nor warranty in the provision of the airport related services by the Group.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(R) REVENUE RECOGNITION (Continued)

Revenue from contracts with customers (Continued)

(iv) Water treatment activity

Revenue from water treatment activities are recognised over the period in which the services are rendered. The revenue is usually defined as fixed contract price and is recognised based on the actual service provided as a proportion of the total services to be provided.

(v) Sale of property

Revenue from sale of property is recognised when control of the property has been transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. The revenue from sale of property is measured at the fixed transaction price agreed under the sales and purchase agreement.

Revenue from other sources

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Interest income

Interest income is recognised in the profit or loss as it accrues, taking into account the effective yield on the asset.

(viii) Property lease

Property lease income is recognised on the accrual basis.

(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**Accounting policies applied from 1 January 2018****(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

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(U) FINANCIAL INSTRUMENTS (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ('SPPI').

Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Group classifies its debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(2) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(U) FINANCIAL INSTRUMENTS (Continued)**Accounting policies applied from 1 January 2018 (Continued)****(iv) Measurement (Continued)**Debt instrument (Continued)**(3) Fair value through profit or loss ('FVTPL')**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

(v) ImpairmentImpairment for debt instrument

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Loans to subsidiaries [applicable in Company's separate financial statements only]
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group or the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(U) FINANCIAL INSTRUMENTS (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(v) Impairment (Continued)

Impairment for debt instrument (Continued)

The measurement of ECL reflects: (Continued)

(i) General 3-stage approach for other receivables

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 24 sets out the measurement details of ECL.

(ii) Simplified approach for trade receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 24 sets out the measurement details of ECL.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(U) FINANCIAL INSTRUMENTS (Continued)**Accounting policies applied from 1 January 2018 (Continued)****(v) Impairment (Continued)**Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

Amount due from immediate holding company in the financial statements is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored individually.

(vi) Write-offTrade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(U) FINANCIAL INSTRUMENTS (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(vii) 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.

Accounting policies applied until 31 December 2017

(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.

(U) FINANCIAL INSTRUMENTS (Continued)**Accounting policies applied until 31 December 2017 (Continued)****(ii) Classification (Continued)**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 26 respectively).

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 31 December 2018

(U) FINANCIAL INSTRUMENTS (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(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.

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.

(U) FINANCIAL INSTRUMENTS (Continued)**Accounting policies applied until 31 December 2017 (Continued)****(v) Subsequent measurement – Impairment on financial assets (Continued)**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 accountingCash 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 2018

(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 2018

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 39 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 1 April 2019.

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 2018

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	Others RM'000
<u>2018</u>		
Deposits with licensed banks	577	-
Trade and other receivables	132,247	-
Trade and other payables	(3,290)	(794)
Net exposure	129,534	(794)
<u>2017</u>		
Deposits with licensed banks	553	-
Trade and other receivables	156,333	-
Trade and other payables	(2,289)	(1,153)
Net exposure	154,597	(1,153)

Foreign currency risk arises from Group entities which have functional currencies other than functional currencies of the Group entities. A 10% (2017: 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.

	2018 RM'000	2017 RM'000
Loss or (profit)		
USD	12,953	15,460
Others	(79)	(115)
Net exposure	12,874	15,345

A 10% (2017: 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.

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 RM11 million (2017: RM8 million) and RM2.4 million (2017: RM1.5 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Investment securities:				
– Available for sale financial asset	–	–	–	154
– Fair value through other comprehensive income	–	–	553	–
Derivative financial instruments - Warrants	–	193	–	–
Net exposure	–	193	553	154

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(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.

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
<u>Group</u>					
<u>At 31 December 2018</u>					
Trade and other payables (excluding statutory obligations and land lease received in advance)	1,816,821	62,459	24,948	19,813	1,924,041
Redeemable preference shares	16,675	16,674	–	–	33,349
Borrowings:					
– fixed rate	622,954	2,331,456	1,004,764	3,771,084	7,730,258
– floating rate	2,345,327	326,438	1,973,583	571,575	5,216,923
	2,968,281	2,657,894	2,978,347	4,342,659	12,947,181
<u>At 31 December 2017</u>					
Trade and other payables (excluding statutory obligations and land lease received in advance)	1,624,308	22,550	6,026	1,887	1,654,771
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

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity and cash flow risk (Continued)

	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>Company</u>					
<u>At 31 December 2018</u>					
Trade and other payables (excluding statutory obligations)	239,998	42,200	–	–	282,198
Amounts due to subsidiaries	69,613	–	–	–	69,613
Borrowings:					
- fixed rate	295,093	625,585	461,826	2,388,283	3,770,787
- floating rate	857,583	45,031	116,370	–	1,018,984
	1,152,676	670,616	578,196	2,388,283	4,789,771
<u>At 31 December 2017</u>					
Trade and other payables (excluding statutory obligations)	285,069	21,800	–	–	306,869
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

Details of borrowings are shown in Note 29.

(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 2018 relates to purchases of property, plant and equipment and will be included in the carrying amount of the property, plant and equipment acquired.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial risk factors (Continued)

(vi) Hedging activities and liquidity risk (Continued)

Cash flow hedge for asset acquisition (Continued)

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>2018</u>					
Forward exchange contracts					
– inflows	29,935	–	–	–	29,935
– outflows	(30,218)	–	–	–	(30,218)
<u>2017</u>					
Forward exchange contracts					
– inflows	198,682	–	–	–	198,682
– outflows	(206,986)	–	–	–	(206,986)

(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 2018 and 31 December 2017.

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 consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2018 and 2017 were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Total borrowings	10,683,324	8,824,924	3,604,454	3,198,879
Less: Deposits, bank and cash balances	(1,055,662)	(1,005,525)	(10,351)	(177,915)
Less: Other investments – cash and cash equivalent	(561,026)	–	(197,464)	–
Net debt	9,066,636	7,819,399	3,396,639	3,020,964
Total equity	10,292,867	10,208,017	5,808,484	5,749,391
Total capital	19,359,503	18,027,416	9,205,123	8,770,355
Gearing ratio	47%	43%	37%	34%

Please refer to Note 29 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Estimation of the VIU of the CGU for Airport City

The estimation of the VIU of the 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.

(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 reporting date, and the final submission to the tax authorities as a result of obtaining further detailed information that may become available subsequent to the reporting date. Where the final tax outcome of these matters are 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.

Pursuant to the Malaysian Budget 2019 and the subsequent amendments to the Finance Bill, a time limit is imposed on the carrying forward of business losses and certain investment allowances. Subsidiaries involved in port operations may not be able to utilise the tax assets within the stipulated time limit of 7 years due to the business nature of having long gestation period. Based on discussion and correspondences with the regulatory authority, the Group makes a judgement that no reversal of deferred tax assets is required at this juncture.

(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) Impairment assessment of investment in an associate

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contract with customers	4,842,162	4,024,952	1,383,346	656,096
Revenue from other sources:				
– rental income	141,458	134,418	–	–
– dividend income	150	725	293,972	369,970
	4,983,770	4,160,095	1,677,318	1,026,066
Breakdown of the Group's and the Company's revenue from contracts with customers:				
<u>Major goods and services</u>				
Port and logistics operations:				
– Container services	1,898,194	1,625,312	–	–
– Conventional cargo services	316,402	289,882	–	–
– Other services	659,829	784,183	–	–
Construction contracts	1,897,300	1,265,437	1,383,346	656,096
Airport operations	50,432	41,523	–	–
Water treatment services	20,005	18,615	–	–
	4,842,162	4,024,952	1,383,346	656,096
<u>Timing of revenue recognition</u>				
– at a point in time	48,550	39,678	–	–
– over time	4,793,612	3,985,274	1,383,346	656,096
	4,842,162	4,024,952	1,383,346	656,096

Information for contract assets and contract liabilities in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

5 COST OF SALES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost of port operations	1,614,712	1,562,226	–	–
Contract cost recognised as an expense	1,682,860	1,034,486	1,205,959	480,244
Cost of airport operations	10,562	10,070	–	–
Cost of water treatment services	16,298	11,963	–	–
	3,324,432	2,618,745	1,205,959	480,244

6 FINANCE COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loans	201,691	227,167	25,793	73,193
Islamic medium term notes	276,405	193,362	128,792	81,325
Others	66,967	70,676	40,369	26,602
	545,063	491,205	194,954	181,120

7 PROFIT BEFORE ZAKAT AND TAXATION

(i) Profit before zakat and taxation is arrived at:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After charging:				
Auditors' remuneration:				
– statutory audit (PwC)	1,686	1,503	571	475
– audit related services (PwC)	379	374	333	328
– non-audit services (PwC)	50	870	40	150
Other auditors' remuneration:				
– statutory audit (non-PwC)	199	200	108	110
– non-audit services (non-PwC)	31	30	–	–
Directors' fees (Note 7(iii))	2,037	1,931	1,265	1,175
Depreciation of:				
– property, plant and equipment (Note 12)	519,531	416,848	6,982	3,730
– investment properties (Note 13)	8,967	15,924	–	–
Amortisation of:				
– rights on airport business (Note 20)	4,196	4,196	–	–
– rights on port business (Note 20)	8,189	5,703	–	–
– rights on concession assets (Note 20)	3,504	23,249	–	–
Impairment of:				
– trade and other receivables (Note 24)	18,172	15,414	–	568
– amounts due from subsidiaries	–	–	–	929
– investment in an associate (Note 15)	–	–	–	4,974
– property, plant and equipment	2,829	103	–	–
– intangible assets (Note 20)	–	739	–	–
Changes in fair value of derivative financial instruments	3,868	1,658	3,868	1,658
Allowance for slow moving stocks	12,083	–	–	–
Hire of plant and machinery	154,454	174,282	–	–
Rent of leasehold land and buildings	147,719	136,999	2,485	2,651
Write-off of property, plant and equipment	8,776	8,682	20	–
Loss on disposal of property, plant and equipment	–	11,592	–	9
Accretion/(unwinding) of interest on borrowings	25,031	31,338	(3,938)	322
Staff costs (including Executive Directors' remuneration (Note 7(ii)):				
– wages, salaries and bonuses	653,843	592,438	50,123	51,572
– defined contribution plan	70,623	60,686	7,202	7,441
– other employee benefits	80,270	58,707	2,771	2,356
Contributions to charitable organisations	64,110	48,520	35,110	16,020
Fair value loss on reclassification of investment in an associate to investment securities	–	–	1,658	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

7 PROFIT BEFORE ZAKAT AND TAXATION (Continued)

(i) Profit before zakat and taxation is arrived at: (Continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
After crediting:				
Amortisation of:				
– land lease received in advance (Note 30)	11,002	14,137	–	–
– deferred income (Note 32)	29,285	29,282	–	–
Rental income	1,772	977	391	516
Write-back of:				
– impairment of receivables (Note 24)	3,737	4,283	–	–
– allowance for slow moving stocks	–	1,828	–	–
Interest income	39,212	25,815	22,471	2,481
Gross dividend income:				
– subsidiaries: unquoted in Malaysia	–	–	195,956	266,958
– associates: quoted in Malaysia	–	–	52,066	53,862
– joint ventures: unquoted in Malaysia	–	–	45,800	49,000
– other investments: quoted in Malaysia	–	575	–	–
– other investments: unquoted in Malaysia	150	150	150	150
Gain on disposal of:				
– property, plant and equipment	2,174	–	3,241	–
– assets held for sale	4,805	784	2,076	–
– available-for-sale financial assets	–	65,718	–	–
– investment properties	–	16,551	–	–
Deposits forfeited	–	26,953	–	–
Negative goodwill on acquisition of a subsidiary	51,175	–	–	–
Fair value gain on reclassification of investment in an associate to investment securities	15,233	–	–	–

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Directors of the Company</u>				
Non-Executive Directors:				
– fees	2,037	1,931	1,265	1,175
– other emoluments	475	444	435	418
– estimated monetary value of benefits-in-kind	293	253	293	253
Executive Director:				
– salaries and other emoluments	4,323	4,777	4,065	4,622
– defined contribution plan	488	553	488	553
– estimated monetary value of benefits-in-kind	167	167	167	167
	7,783	8,125	6,713	7,188

8 ZAKAT EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Movement in zakat liability:				
– current financial year's expense	4,614	5,913	1,013	1,783
– paid during the financial year	(4,614)	(5,913)	(1,013)	(1,783)
At the end of the financial year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

9 TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Malaysian income tax				
Current tax:				
– in respect of profit for the financial year	36,832	71,679	18,403	9,707
– (over)/under accrual in prior financial years (net)	(16,990)	44,629	(14,992)	39,917
	19,842	116,308	3,411	49,624
Deferred tax (Note 21):				
– origination and reversal of temporary differences	111,434	62,062	–	27,418
	131,276	178,370	3,411	77,042
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before taxation and after zakat	398,313	430,204	209,175	246,240
Tax calculated at the applicable Malaysian tax rate of 24% (2017: 24%)	95,595	103,249	50,202	59,098
Tax effects of:				
– expenses not deductible for tax purposes	121,851	134,788	67,041	76,784
– income not subject to tax	(41,307)	(35,652)	(98,840)	(98,757)
– recognition of investment tax allowance	–	(19,921)	–	–
– deferred tax expense not recognised during the financial year	21,766	3,209	–	–
– share of results of associates and joint ventures (net)	(49,639)	(51,932)	–	–
– (over)/under accrual in prior financial years (net)	(16,990)	44,629	(14,992)	39,917
Income tax expense	131,276	178,370	3,411	77,042

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	
	2018 RM'000	2017 RM'000 (Restated)
Profit attributable to ordinary equity holders of the Company	220,080	209,786
Weighted average number of ordinary shares in issue ('000)	3,045,058	3,045,058
Basic earnings per share (sen)	7.2	6.9

No diluted earnings per ordinary share is computed for the Group as there are no potential ordinary shares in issue.

11 DIVIDEND

	Group and Company	
	2018 RM'000	2017 RM'000
Dividend paid:		
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
In respect of financial year ended 31 December 2017:		
A final single-tier dividend of 4.0 sen per ordinary share on 3,045,058,552 ordinary shares paid on 5 July 2018	121,802	–

On 1 April 2019, the Board of Directors has approved and declared a single-tier dividend of 4.0 sen per ordinary share on the 3,045,058,552 ordinary shares, amounting to RM121,802,342 in respect of the financial year ended 31 December 2018. The dividend will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2019.

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for the financial year ended 31 December 2018

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
<u>Cost</u>							
At 1 January 2018	127,041	461,291	4,729,363	44	4,289,075	435,032	10,041,846
Acquisition of a subsidiary	-	-	1,119,248	-	285,437	21,762	1,426,447
Disposals	-	(2,233)	-	-	(31,040)	-	(33,273)
Additions	8,051	-	82,790	-	300,532	496,058	887,431
Reclassifications	-	-	283,537	-	223,881	(507,418)	-
Reclassification from intangible assets (Note 20)	-	-	690,534	-	-	-	690,534
Reclassification to assets held for sale (Note 23)	(25,507)	(19,546)	-	-	(47,877)	-	(92,930)
Write-off	-	-	-	-	(40,982)	(1,583)	(42,565)
#Adjustments	-	-	(568)	-	2,837	-	2,269
At 31 December 2018	109,585	439,512	6,904,904	44	4,981,863	443,851	12,879,759
<u>Accumulated depreciation</u>							
At 1 January 2018	(7,869)	(47,941)	(1,097,462)	-	(1,781,551)	-	(2,934,823)
Depreciation	(596)	(13,591)	(145,424)	-	(359,920)	-	(519,531)
Disposals	-	-	-	-	27,513	-	27,513
Reclassification from intangible assets (Note 20)	-	-	(48,630)	-	-	-	(48,630)
Reclassification to assets held for sale (Note 23)	6,183	2,159	-	-	41,294	-	49,636
Write-off	-	-	-	-	33,789	-	33,789
At 31 December 2018	(2,282)	(59,373)	(1,291,516)	-	(2,038,875)	-	(3,392,046)
<u>Accumulated impairment losses</u>							
At 1 January 2018	(11,257)	-	(1,348)	-	(5,526)	(103)	(18,234)
Impairment loss	-	-	-	-	(2,932)	103	(2,829)
Reclassification to assets held for sale (Note 23)	10,810	-	-	-	4,412	-	15,222
At 31 December 2018	(447)	-	(1,348)	-	(4,046)	-	(5,841)
<u>Net book value</u>							
At 31 December 2018	106,856	380,139	5,612,040	44	2,938,942	443,851	9,481,872

Note:

Adjustments due to variation order in final contract value

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>Cost</u>							
At 1 January 2017	127,041	461,291	4,727,996	44	4,412,172	227,892	9,956,436
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
<u>Accumulated depreciation</u>							
At 1 January 2017	(7,348)	(36,738)	(1,016,392)	-	(1,866,776)	-	(2,927,254)
Depreciation	(521)	(11,203)	(88,471)	-	(316,653)	-	(416,848)
Disposals	-	-	8,173	-	249,118	-	257,291
Write-off	-	-	-	-	152,721	-	152,721
#Adjustments	-	-	(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 2017	(11,257)	-	(1,348)	-	(5,526)	-	(18,131)
Impairment loss	-	-	-	-	-	(103)	(103)
At 31 December 2017	(11,257)	-	(1,348)	-	(5,526)	(103)	(18,234)
<u>Net book value</u>							
At 31 December 2017	107,915	413,350	3,630,553	44	2,501,998	434,929	7,088,789

Note:

Adjustments due to variation order in final contract value

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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 2018	826	5,620	44	55,902	110,993	173,385
Additions	-	-	-	7,942	45,534	53,476
Disposals	-	-	-	(16,442)	-	(16,442)
Reclassification	-	-	-	15,788	(15,788)	-
Reclassification to assets held for sale (Note 23)	-	(3,864)	-	-	-	(3,864)
Write-off	-	-	-	(5,415)	-	(5,415)
At 31 December 2018	826	1,756	44	57,775	140,739	201,140
<u>Accumulated depreciation</u>						
At 1 January 2018	-	(1,577)	-	(50,109)	-	(51,686)
Depreciation	-	(38)	-	(6,944)	-	(6,982)
Disposals	-	-	-	15,947	-	15,947
Reclassification to assets held for sale (Note 23)	-	1,068	-	-	-	1,068
Write-off	-	-	-	5,395	-	5,395
At 31 December 2018	-	(547)	-	(35,711)	-	(36,258)
<u>Accumulated impairment losses</u>						
At 1 January 2018/ 31 December 2018	-	-	-	(413)	-	(413)
<u>Net book value</u>						
At 31 December 2018	826	1,209	44	21,651	140,739	164,469

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 2017	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 2017	–	(1,520)	–	(50,295)	–	(51,815)
Depreciation	–	(57)	–	(3,673)	–	(3,730)
Disposals	–	–	–	3,859	–	3,859
At 31 December 2018	–	(1,577)	–	(50,109)	–	(51,686)
<u>Accumulated impairment losses</u>						
At 1 January 2017/ 31 December 2017	–	–	–	(413)	–	(413)
<u>Net book value</u>						
At 31 December 2017	826	4,043	44	5,380	110,993	121,286
				Group		
				2018 RM'000	2017 RM'000	
Net book value of property, plant and equipment pledged as security for borrowings				4,333,922	4,118,931	

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 6.20% per annum (2017: 3.8% to 6.2%) amounting to RM12.5 million (2017: RM11.4 million).

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for the financial year ended 31 December 2018

13 INVESTMENT PROPERTIES

Group	Leasehold land and related improvement RM'000	Freehold properties RM'000	Capital work in progress RM'000	Total RM'000
<u>Cost</u>				
At 1 January 2018	946,673	292,504	84,458	1,323,635
Additions	–	–	77,048	77,048
At 31 December 2018	946,673	292,504	161,506	1,400,683
<u>Accumulated depreciation</u>				
At 1 January 2018	(79,210)	(7,261)	–	(86,471)
Depreciation	(8,435)	(532)	–	(8,967)
At 31 December 2018	(87,645)	(7,793)	–	(95,438)
<u>Accumulated impairment losses</u>				
At 1 January 2018/31 December 2018	–	(888)	–	(888)
<u>Net book value</u>				
At 31 December 2018	859,028	283,823	161,506	1,304,357
<u>Fair value</u>				
At 31 December 2018	2,574,669	430,292	161,506	3,166,467

13 INVESTMENT PROPERTIES (Continued)

Group	Leasehold land and related improvement RM'000	Freehold properties RM'000	Capital work in progress RM'000	Total RM'000
<u>Cost</u>				
At 1 January 2017	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 2017	(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 2017/31 December 2017	–	(888)	–	(888)
<u>Net book value</u>				
At 31 December 2017	867,463	284,355	84,458	1,236,276
<u>Fair value</u>				
At 31 December 2017	2,575,000	468,129	84,458	3,127,587

Note:

Adjustments for interest capitalisation

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

13 INVESTMENT PROPERTIES (Continued)

The fair value as at 31 December 2018 and 31 December 2017 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 41.

	Group	
	2018 RM'000	2017 RM'000
Net book value of investment properties pledged as security for borrowings	1,020,534	951,921

Rental income generated from and direct operating expenses incurred on investment properties are as follows:

	Group	
	2018 RM'000	2017 RM'000
Rental income	3,596	4,303
Direct operating expenses	536	650

Included in the investment properties of the Group is interest capitalised during the financial year at a rate ranging from 5.28% to 5.73% per annum (2017: 5.29% to 5.38%) amounting to RM10.8 million (2017: RM11.2 million).

14 INVESTMENTS IN SUBSIDIARIES

	Note	Company	
		2018 RM'000	2017 RM'000
Investments in subsidiaries at cost:			
Unquoted shares		6,207,028	6,207,028
Redeemable convertible preference shares	14(b)	1,572,730	1,176,074
Less: redemption of redeemable convertible preference shares		(28,921)	(28,921)
Less: accumulated impairment losses		(11,245)	(11,245)
Total		7,739,592	7,342,936

Details of the Group's subsidiaries are shown in Note 39.

(a) The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Pelabuhan Tanjung Pelepas Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
<u>2018</u>			
NCI percentage of ownership interest and voting interest	30.0%		
Carrying amount of NCI	701,972	31,245	733,217
Profit allocated to NCI	45,130	1,827	46,957
Dividends paid to NCI of the Group	30,902	-	30,902
<u>2017</u>			
NCI percentage of ownership interest and voting interest	30.0%		
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

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for the financial year ended 31 December 2018

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:

	Pelabuhan Tanjung Pelepas Sdn. Bhd.	
	2018 RM'000	2017 RM'000
NCI percentage of ownership interest and voting interest	30.0%	30.0%
<u>As at 31 December</u>		
Non-current assets	4,977,798	4,807,481
Current assets	862,236	565,715
Non-current liabilities	(3,001,098)	(2,544,390)
Current liabilities	(514,011)	(558,373)
Net assets	2,324,925	2,270,433
<u>Year ended 31 December</u>		
Revenue	1,294,290	1,213,573
Profit for the financial year	150,459	137,310
Total comprehensive income	157,500	104,170
Cash flows generated from operating activities	438,699	492,301
Cash flows used in investing activities	(488,171)	(277,070)
Cash flows generated from/(used in) financing activities	311,653	(303,951)
Net change in cash and cash equivalents	262,181	(88,720)

- (b) Redeemable convertible preference shares ("RCPS")

During the current financial year, the Company subscribed to RCPS of RM396,656,000 (2017: RM1,176,074,000) issued by its subsidiaries by capitalisation of the amounts due from/to 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.

14 INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Redeemable convertible preference shares ("RCPS") (Continued)

The main features of the RCPS are as follows: (Continued)

- (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.

15 INTERESTS IN ASSOCIATES

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000
Unquoted shares, at cost	129,718	120,298	-	-
Shares quoted in Malaysia, at cost	4,253,041	4,407,552	882,293	1,036,804
Share of post-acquisition reserves	57,700	(36,425)	-	-
	4,440,459	4,491,425	882,293	1,036,804
Accumulated impairment losses	-	-	-	(119,695)
Interests in associates	4,440,459	4,491,425	882,293	917,109
Market value of quoted associates:				
Shares quoted in Malaysia	2,627,247	3,024,119	718,157	914,558

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 39.

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. In 2017, the Group had written off the investments in these inactive associates.

All the associates are strategic to the Group's activities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

15 INTERESTS IN ASSOCIATES (Continued)

The impairment losses are analysed as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	83,155	119,695	114,721
Charge during financial year (Note 7(ii))	-	-	-	4,974
Write-off	-	(83,155)	-	-
Reclassification to investment securities	-	-	(119,695)	-
At 31 December	-	-	-	119,695

On 9 March 2018, Zelan Berhad ceased to be an associate of the Group as the Group no longer has significant influence over the company. The Group had subsequently reclassified the investment in Zelan Berhad as an investment securities measured at fair value through other comprehensive income.

In 2017, the Company made an impairment charge of approximately RM5.0 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:

- (a) Variable operating rate of power plants : RM0.0171/kwh to RM0.0243/kwh (2017: RM0.0171/kwh to RM0.0243/kwh);
- (b) Capacity factor of power plants : 30% to 77% (2017: 33% to 77%);
- (c) Discount rate used is 8.75% (2017: 9.5%); and
- (d) Optional extension is expected to be obtained for the coal fired power plants (10 years extension) (2017: 10 years).

Based on the assessment, the recoverable amount is higher than carrying value as at reporting date.

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 interest in associate to exceed its recoverable amount.

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:

Summarised financial information	2018		
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000
Effective percentage of ownership interest	37.6%	30.9%	20.0%
<u>As at 31 December</u>			
Non-current assets	23,406,523	3,218,619	1,855,670
Current assets	8,213,585	1,155,239	205,421
Non-current liabilities	(18,928,087)	(348,449)	(876,522)
Current liabilities	(3,389,067)	(1,147,973)	(269,850)
Net assets	9,302,954	2,877,436	914,719
Non-controlling interests (NCI)	(219,686)	–	–
Perpetual sukuk	(800,000)	–	–
Net assets (excluding NCI)	8,283,268	2,877,436	914,719
<u>Year ended 31 December</u>			
Profit for the financial year	323,480	180,392	26,708
Non-controlling interests	(49,047)	–	–
Profit for the financial year (excluding NCI)	274,433	180,392	26,708
Other comprehensive (loss)/income	(51,685)	234	–
Total comprehensive income (excluding NCI)	222,748	180,626	26,708
Revenue	7,348,230	6,233,243	371,683
Depreciation and amortisation	(1,134,000)	(66,530)	(132,570)
Interest income	241,688	6,822	–
Interest expense	(963,851)	(12,130)	(48,073)
Income tax expense	(235,693)	(50,227)	(2,341)
Fair value based on hierarchy level 1	1,503,230	1,124,017	

NOTES TO THE FINANCIAL STATEMENTS

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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)

	2018				
	Malakoff Corporation Berhad RM'000	Gas Malaysia 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%	20.0%		
<u>As at 31 December</u>					
Group's share of net assets (excluding NCI)	3,114,509	889,128	182,944	6,345	4,192,926
#Adjustments	245,041	532	1,960	–	247,533
Investments in associates	3,359,550	889,660	184,904	6,345	4,440,459
<u>Group's share of results</u>					
<u>Year ended 31 December</u>					
Group's share of net profit/(loss) for the financial year (excluding NCI)	103,186	55,741	5,342	(7,616)	156,653
Adjustments	(16,921)	4,484	126	–	(12,311)
Group's share of other comprehensive (loss)/income	(19,437)	72	–	–	(19,365)
Group's share of total comprehensive income/(loss)	66,828	60,297	5,468	(7,616)	124,977
<u>Other information</u>					
Gross dividends received by the Group	108,984	53,619	–	–	162,603

Note:

Adjustments primarily relate to goodwill

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)

Summarised financial information	2017 (Restated)			
	Malakoff Corporation Berhad RM'000	Gas Malaysia Berhad RM'000	Zelan Berhad RM'000	Red Sea Gateway Terminal Company Limited RM'000
Effective percentage of ownership interest	37.6%	30.9%	39.2%	20.0%
<u>As at 31 December</u>				
Non-current assets	24,306,509	3,126,926	701,243	1,939,993
Current assets	8,114,241	1,014,696	108,030	215,957
Non-current liabilities	(3,380,545)	(893,504)	(362,209)	(260,518)
Current liabilities	(19,620,791)	(377,968)	(371,508)	(1,023,036)
Net assets	9,419,414	2,870,150	75,556	872,396
Non-controlling interests (NCI)	(225,570)	–	188	–
Perpetual sukuk	(800,000)	–	–	–
Net assets (excluding NCI)	8,393,844	2,870,150	75,744	872,396
<u>Year ended 31 December</u>				
Profit/(loss) for the financial year	362,918	160,654	(67,556)	26,612
Non-controlling interests	(66,987)	487	37	–
Profit/(loss) for the financial year (excluding NCI)	295,931	161,141	(67,519)	26,612
Other comprehensive (loss)/income	(18,706)	816	11,273	–
Total comprehensive income/(loss) (excluding NCI)	277,225	161,957	(56,246)	26,612
Revenue	7,130,440	5,315,324	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	

NOTES TO THE FINANCIAL STATEMENTS

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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 (Restated)					
	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)	3,156,086	886,876	29,726	174,479	(228)	4,246,939
#Adjustments	245,621	(3,895)	(10,301)	13,060	1	244,486
Investments in associates	3,401,707	882,981	19,425	187,539	(227)	4,491,425
<u>Group's share of results</u>						
<u>Year ended 31 December</u>						
Group's share of net profit/(loss) for the financial year (excluding NCI)	111,270	49,793	(26,506)	5,322	424	140,303
Adjustments	(10,793)	(4,361)	493	(1,617)	–	(16,278)
Group's share of other comprehensive (loss)/income	(7,034)	252	4,427	–	–	(2,355)
Group's share of total comprehensive income/(loss)	93,443	45,684	(21,586)	3,705	424	121,670
<u>Other information:</u>						
Gross dividends received by the Group	112,742	51,077	–	–	–	163,819

Note:

Adjustments primarily relate to goodwill

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:				
Unquoted shares, inside Malaysia	189,547	394,647	21,881	21,881
Share of post-acquisition reserves	111,317	163,275	–	–
	300,864	557,922	21,881	21,881
Disposal of a joint venture	–	(3,941)	–	–
	300,864	553,981	21,881	21,881

Details of the Group's joint ventures are shown in Note 39.

Details of the Group's material acquisition and disposal is shown in Note 40(b) and Note 40(c).

The Group has applied the equity method of accounting consistently for all joint ventures within the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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:

Summarised financial information	2018			
	MMC Gamuda KVMRT (PDP SSP) 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
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%
<u>As at 31 December</u>				
Non-current assets	284,015	511	556,798	394,429
Current assets	793,255	440,984	2,194,078	46,329
Non-current liabilities	(263,870)	(1,041)	(2,940)	(314,361)
Current liabilities	(661,289)	(359,645)	(2,638,834)	(33,783)
Deposits, cash and bank balances	37,729	265,630	445,349	35,004
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	(314,361)
Current financial liabilities (excluding trade and other payables and provisions)	(67,300)	(11,000)	–	(5,000)
<u>Year ended 31 December</u>				
Net profit/(loss)/total comprehensive income/(expense) for the financial year	130,300	(833)	(9,901)	(6,942)
<u>Included in the net profit/(loss)/ total comprehensive income/(expense) is:</u>				
Revenue	2,775,228	351,328	3,305,980	32,758
Depreciation and amortisation	(3,103)	(828)	(10,794)	(1,124)
Interest income	2,629	979	5,382	1,475
Interest expense	(199)	(793)	–	(18,106)
Income tax expense	(38,310)	(8,850)	(14,252)	(4)

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)

	2018					
	MMC Gamuda KVMRT (PDP SSP) 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
Reconciliation of net assets to carrying amount:						
Effective percentage of ownership interest	50.0%	50.0%	50.0%	50.0%		
As at 31 December						
Group's share of net assets/ carrying amount in the statement of financial position	76,056	40,405	57,183	46,306	80,914	300,864
Group's share of result						
Year ended 31 December						
Group's share of profit/ (loss) for the financial year	65,150	(416)	(4,951)	(3,471)	6,174	62,486
Other information:						
Distribution received	27,500	17,300	–	–	8,500	53,300

NOTES TO THE FINANCIAL STATEMENTS

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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)

Summarised financial information	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
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)
<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)

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	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount:						
Effective percentage of ownership interest	49.0%	50.0%	50.0%	50.0%		
As at 31 December						
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
Group's share of result						
Year ended 31 December						
Group's share of profit/ (loss) for the financial year	64,536*	28,809	37,763	(102,166)	63,415	92,357
Other information:						
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 40(b) of the financial statements

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16 INVESTMENTS IN JOINT ARRANGEMENTS (Continued)

Investments in joint ventures (Continued)

The Group's share of capital commitment and contingent liabilities in the joint ventures are as set out below:

	Group	
	2018 RM'000	2017 RM'000
Capital commitment:		
Property, plant and equipment:		
Authorised and contracted for	13,616	63,716
Contingent liabilities:		
Performance bonds to Government of Malaysia	1,043,568	1,234,555
Advance payment guarantee	304,410	345,694

Investments in joint operations

Details of the Group's joint operations are shown in Note 39.

17 INVESTMENT SECURITIES

A reconciliation from opening balances to fair value measurement on level 1 of the fair value hierarchy as described in Note 41 is as follows:

Investment securities classified as fair value through other comprehensive income

	Group	Company
	2018 RM'000	2018 RM'000
At 1 January	3,088	–
Reclassification from investment in an associate	33,158	33,158
Changes in fair value	(24,582)	(24,869)
	11,664	8,289
Less: non-current portion	(3,375)	–
	8,289	8,289

17 INVESTMENT SECURITIES (Continued)

Investment securities classified as available for sale

	Group 2017 RM'000
At 1 January	80,994
Net gains transferred to equity	8,554
Disposals	(86,460)
	3,088
Less: non-current portion	(3,088)
	–

On 1 January 2018, the investment securities classified as available for sale were redesignated as investments securities classified as fair value through other comprehensive income.

Investment securities comprise the following:

	Group		Company
	2018 RM'000	2017 RM'000	2018 RM'000
Listed equity securities:			
– in Malaysia	8,344	58	8,289
– outside Malaysia	3,320	3,030	–
	11,664	3,088	8,289

Investment securities are denominated in the following currencies:

	Group		Company
	2018 RM'000	2017 RM'000	2018 RM'000
Ringgit Malaysia	8,344	58	8,289
Australian Dollar	3,320	3,030	–
	11,664	3,088	8,289

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18 AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2018 RM'000	2017 RM'000
Amounts due from subsidiaries	253,496	366,832
Less: allowance for impairment	(5)	(5)
	253,491	366,827
Amounts due to subsidiaries	69,613	78,908

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 current year, the Company subscribed to RCPS of RM396,656,000 (2017: RM1,176,074,000) issued by its subsidiaries by capitalisation of the amounts due from 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	
	2018 RM'000	2017 RM'000
At 1 January	5	58,603
Charge during financial year (Note 7(ii))	–	929
Capitalisation of intercompany balances	–	(59,527)
At 31 December	5	5

19 TRADE AND OTHER RECEIVABLES (NON-CURRENT)

Analysis of amounts recoverable after 12 months:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	–	192,675	–	61,486
Staff loans	4,093	4,041	–	–
Other receivables	126,411	116,404	–	–
	130,504	313,120	–	61,486
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)	130,504	313,120	–	61,486
Staff loans to eligible staff	4,766	4,323	–	–
Repayments due within the next twelve months	(673)	(282)	–	–
	4,093	4,041	–	–

Included in 2017 trade receivables of the Group is the cash consideration amounting to RM131,188,829 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

20 INTANGIBLE ASSETS

Group	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>						
At 1 January 2018	1,983,762	30,060	188,909	196,025	690,491	3,089,247
Acquisition of a subsidiary (Note 40 (a))	-	-	-	44,492	-	44,492
Additions	-	-	-	-	43	43
Reclassification to property, plant and equipment (Note 12)	-	-	-	-	(690,534)	(690,534)
At 31 December 2018	1,983,762	30,060	188,909	240,517	-	2,443,248
<u>Accumulated amortisation/ impairment losses</u>						
At 1 January 2018	-	(30,060)	(38,561)	(11,117)	(45,126)	(124,864)
Amortisation charge	-	-	(4,196)	(8,189)	(3,504)	(15,889)
Reclassification to property, plant and equipment (Note 12)	-	-	-	-	48,630	48,630
At 31 December 2018	-	(30,060)	(42,757)	(19,306)	-	(92,123)
<u>Net book value</u>						
At 31 December 2018	1,983,762	-	146,152	221,211	-	2,351,125

20 INTANGIBLE ASSETS (Continued)

Group	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>						
At 1 January 2017	1,983,762	30,060	188,909	162,415	640,272	3,005,418
Acquisition of a subsidiary (Note 40 (a))	-	-	-	33,610	-	33,610
Addition	-	-	-	-	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>						
At 1 January 2017	-	(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 2017	1,983,762	-	150,348	184,908	645,365	2,964,383

Included in the rights on concession assets of the Group for 2017 is interest capitalised during the financial year at a rate ranging from 5.0% to 5.78% amounting to RM3.4 million.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

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 Cash Generating Units ("CGUs") are as follows:

	2018 RM'000	2017 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 value-in-use ("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. 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 2019 to 2023 (2017: 2018 to 2022), will be in the region of 8.5 million (2017: 8.5 million) TEUs;
- The cash flow projections after 2023 are extrapolated to the end of concession period using a nominal long-term growth rate of 3.0% (2017: 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% (2017: 10.0%) 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 Weighted Average Cost of Capital ("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.

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. The key assumptions used in the calculation of VIU are as follows:

- (a) Projected year on year TEU growth at 4.0% from 2019 – 2024, at 2.0% from 2025 – 2027 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% (2017: 10.5%) 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 circumstance where a reasonably possible change in the key assumptions will cause an impairment loss to be recognised is if the tariff rate growth reduces by 3% every 5 years. In such circumstances, the impairment charged would be approximately RM11 million.

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20 INTANGIBLE ASSETS (Continued)

(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% (2017: 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 (2017: 5 years) and thereafter a 1% to 2% (2017: 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% (2017: 4% to 6%) per annum throughout the concession period; and
- (iv) Non-aeronautical revenue is assumed to grow in tandem with passenger growth.

(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 2018, 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	738,313	717,255	–	–
Deferred tax liabilities	(603,215)	(543,408)	–	–
	135,098	173,847	–	–

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	173,847	242,724	–	27,418
(Charged)/Credited to profit or loss (Note 9):				
– property, plant and equipment	(283,333)	(4,944)	(1,023)	(2,895)
– tax losses	–	(16,589)	–	–
– provisions	37,468	(47,938)	1,023	(24,523)
– investment tax allowances	134,431	7,409	–	–
	(111,434)	(62,062)	–	(27,418)
Acquisition of a subsidiary	72,685	(6,815)	–	–
At 31 December	135,098	173,847	–	–

NOTES TO THE FINANCIAL STATEMENTS

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21 DEFERRED TAXATION (Continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subject to income tax:				
Deferred tax assets				
Property, plant and equipment	133,468	126,862	305	372
Tax losses	23,117	23,117	–	–
Provisions	71,635	34,167	6,364	5,341
Investment tax allowances	1,142,690	1,008,259	–	–
Deferred tax assets (before offsetting)	1,370,910	1,192,405	6,669	5,713
Offsetting	(632,597)	(475,150)	(6,669)	(5,713)
Deferred tax assets (after offsetting)	738,313	717,255	–	–
Deferred tax liabilities				
Property, plant and equipment	(1,235,812)	(1,018,558)	(6,669)	(5,713)
Offsetting	632,597	475,150	6,669	5,713
Deferred tax liabilities (after offsetting)	(603,215)	(543,408)	–	–

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group	
	2018 RM'000	2017 RM'000
Deductible temporary differences	328,321	319,899
Unused tax losses	285,902	203,631
	614,223	523,530

The benefits of these tax losses and credits will only be obtained if the relevant subsidiaries derive future assessable income of a nature and amount sufficient for the benefits to be utilised.

22 INVENTORIES

	Group	
	2018 RM'000	2017 RM'000
Spares, consumables and container repair materials	119,342	111,744
Chemicals	134	233
Freehold land	3,236	6,100
Development expenditure	7,061	14,022
	129,773	132,099
Less: allowance for slow moving stocks	(25,100)	(13,017)
Current	104,673	119,082
Freehold land	1,634,171	1,631,307
Development expenditure	250,837	230,504
Non-current	1,885,008	1,861,811
	1,989,681	1,980,893

	Company	
	2018 RM'000	2017 RM'000
Consumables	2,460	7,296

Inventories of the Group of RM274.4 million (2017: RM310.9 million) comprising of freehold land, spare parts, consumables and container repair materials are pledged as security for borrowings as disclosed in Note 29.

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.

NOTES TO THE FINANCIAL STATEMENTS

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22 INVENTORIES (Continued)

The allowance for slow moving stocks are analysed as follows:

	Group	
	2018 RM'000	2017 RM'000
At 1 January	13,017	14,845
Provision during the financial year (Note 7(i))	12,083	–
Write back during the financial year (Note 7(i))	–	(1,828)
At 31 December	25,100	13,017

23 ASSETS HELD FOR SALE

	Group	
	2018 RM'000	2017 RM'000
Property, plant and equipment	175,897	148,454
At 1 January	148,454	149,228
Transfer to investment properties (Note 13)	–	(174)
Transfer from property, plant and equipment (Note 12)	28,073	–
Disposal	(630)	(600)
	175,897	148,454

	Company	
	2018 RM'000	2017 RM'000
Property, plant and equipment	2,796	303
At 1 January	303	303
Transfer from property, plant and equipment (Note 12)	2,796	–
Disposal	(303)	–
	2,796	303

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
Trade receivables	1,325,036	1,463,803	513,784	559,032
Less: impairment of trade receivables	(91,777)	(77,797)	(8)	(8)
	1,233,259	1,386,006	513,776	559,024
Other receivables	290,284	298,788	60,533	94,030
Less: impairment of other receivables	(68,331)	(68,181)	(1,432)	(1,432)
	221,953	230,607	59,101	92,598
Deposits	21,726	24,258	61	1,980
Prepayments	47,947	56,708	3,544	4,594
	291,626	311,573	62,706	99,172
Amounts due from associates	1,988	3,149	491	897
Amounts due from joint ventures	698,119	262,915	667,775	248,340
Total current receivables	2,224,992	1,963,643	1,244,748	907,433
Total non-current receivables (Note 19)	130,504	313,120	–	61,486
	2,355,496	2,276,763	1,244,748	968,919

Credit terms of trade receivables of the Group and the Company vary from 30 to 60 days (2017: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

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 50% (2017: 49%) 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.

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24 TRADE AND OTHER RECEIVABLES (Continued)

Measurement of ECL – simplified approach

The Group and the Company apply the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on 1-year historical credit losses experienced by the Group and the Company. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables:

Group

31 December 2018	Average collection period				Total
	Current	Past due to 3 months	Past due to 6 months	Past due more than 6 months	
Expected loss rate	0%	0%	17%	44%	
Gross carrying amount – trade receivables (RM'000)	933,218	151,604	50,968	189,246	1,325,036
Loss allowance (RM'000)	(64)	(576)	(8,412)	(82,725)	(91,777)

Company

31 December 2018	Average collection period				Total
	Current	Past due to 3 months	Past due to 6 months	Past due more than 6 months	
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount – trade receivables (RM'000)	513,776	–	–	8	513,784
Loss allowance (RM'000)	–	–	–	(8)	(8)

24 TRADE AND OTHER RECEIVABLES (Continued)

Measurement of ECL – general 3-stage approach

Other financial assets include other receivables, amount due from subsidiaries, associate and jointly controlled entities.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.
- macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL.

Other receivables

Other receivables represent sundry receivables and non-interest bearing. Loss allowance is assessed for other receivables individually. The Group and the Company have provided an allowance of RM68,331,000 (2017: RM68,181,000) and RM1,432,000 (2017: RM1,432,000) respectively for impairment of its other receivables that are not considered recoverable.

Amounts due from associates and jointly controlled entities

The amounts due from associates and jointly controlled entities are unsecured, interest free, have no fixed terms of repayment and denominated in Ringgit Malaysia. The Group and the Company have assessed the loss allowance for amount due from associates and jointly controlled entities individually. As at reporting date, management is of the view that no loss allowance is to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

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24 TRADE AND OTHER RECEIVABLES (Continued)

Previous accounting policy for trade and other receivables

As permitted under MFRS 9, comparatives are presented in accordance with MFRS 139.

As at 31 December 2017, trade and other receivables of RM210.5 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 2017 RM'000	Company 2017 RM'000
Neither past due nor impaired	1,672,211	900,859
Past due not impaired:		
Up to 3 months	132,256	–
3 to 6 months	30,627	–
More than 6 months	47,583	–
	210,466	–
Impaired	145,978	1,440
	2,028,655	902,299

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% of the Group's and 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 for the Group and RM1.4 million 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 2017 RM'000	Company 2017 RM'000
More than 6 months	145,978	1,440

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	
	2018 RM'000	2017 RM'000
Functional currency (RM)		
– US Dollar	132,247	156,333

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	145,978	135,383	1,440	872
Impairment during the financial year (Note 7(i))	18,172	15,414	–	568
Write-off	(305)	(536)	–	–
Write-back of impairment of receivables (Note 7(ii))	(3,737)	(4,283)	–	–
At 31 December	160,108	145,978	1,440	1,440

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

25 OTHER INVESTMENTS – CASH AND CASH EQUIVALENT

Other investments comprise mainly investment of funds with investment banks for placement in fixed deposits. As at 31 December 2018, the tenure to maturity for investments by the Group and the Company ranges from 2 to 292 days and 2 to 31 days respectively with rate between 3.25% to 3.80% and 3.25% to 3.80% respectively.

26 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with:				
Licensed banks	605,623	190,598	–	1,250
Investment banks	–	144,157	–	60,824
Other financial institutions	5,000	112,923	–	–
	610,623	447,678	–	62,074
Cash and bank balances	205,949	135,817	10,351	19,992
Cash and cash equivalents	816,572	583,495	10,351	82,066
Deposits with maturity more than 90 days with:				
Licensed banks	180,868	45,126	–	–
Investment banks	–	376,904	–	95,849
Other financial institutions	58,222	–	–	–
	239,090	422,030	–	95,849
Total	1,055,662	1,005,525	10,351	177,915

The currency exposure profile of the deposits, bank and cash balances are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Functional currency (RM)				
– US Dollar	577	553	–	–

26 DEPOSITS, BANK AND CASH BALANCES (Continued)

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	
	2018 % per annum	2017 % per annum	2018 % per annum	2017 % per annum
Deposits placed with:				
Licensed banks	3.48	3.19	–	3.04
Investment banks	–	3.60	–	3.44
Other financial institutions	4.12	3.68	–	–

The Group and the Company have deposits with an average maturity of 34 days (2017: 24 days) and 7 days (2017: 7 days) respectively.

27 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At 1 January	3,045,058	3,045,058	2,344,276	304,506
Transition to no-par value regime	–	–	–	2,039,770
At 31 December	3,045,058	3,045,058	2,344,276	2,344,276

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.

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for the financial year ended 31 December 2018

28 REDEEMABLE PREFERENCE SHARES ("RPS")

	Group	
	2018 RM'000	2017 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	33,349	50,023
Classified as liabilities	147,400	164,074
Less: accumulated redemption	(114,051)	(114,051)
At 31 December	33,349	50,023
Amount recognised within the next twelve months (Note 31)	(16,675)	(16,674)
Classified as non-current liabilities	16,674	33,349

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. As at reporting date, the RPS has been fully redeemed.
- (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.

29 BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Current</u>				
Secured:				
Term loans	386,032	583,563	150,000	–
Islamic Medium Term Notes	13,237	13,237	–	–
Revolving Credits	–	23,000	–	–
Unsecured:				
Term loans	1,004,170	–	4,170	–
Revolving Credits	1,033,731	637,100	810,000	528,000
Multi-option line	–	1,476	–	–
Government Loan	100,000	91,667	–	–
	2,537,170	1,350,043	964,170	528,000
<u>Non-current</u>				
Secured:				
Term loans	2,333,863	3,057,690	–	1,120,879
Islamic Medium Term Notes	1,984,105	1,722,972	–	–
Unsecured:				
Term loans	145,830	50,000	145,830	50,000
Government Loan	–	8,333	–	–
Sukuk	3,682,356	2,635,886	2,494,454	1,500,000
	8,146,154	7,474,881	2,640,284	2,670,879
Total	10,683,324	8,824,924	3,604,454	3,198,879
Fair values of borrowings	10,635,990	8,839,503	3,598,982	3,210,585

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Analysis of repayment schedule:				
Within 1 year	2,537,170	1,350,043	964,170	528,000
From 1 to 2 years	2,145,453	1,656,921	393,360	1,125,049
From 2 to 5 years	2,283,677	3,446,246	212,470	405,830
After 5 years	3,717,024	2,371,714	2,034,454	1,140,000
	10,683,324	8,824,924	3,604,454	3,198,879

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

29 BORROWINGS (Continued)

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 6 to 21 equal instalments between 2019 to 2029.

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) 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.
- (iii) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2018 was established under the Shariah principle of Murabahah via Tawarruq arrangement. There are four tranches with tenure ranging between 10 to 15 years. Profit rates on the IMTN are charged at a fixed rate which ranges from 4.45% to 4.89% per annum.
- (iv) 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.
- (v) A revolving credit-i facility of a subsidiary is subject to profit rate of 0.90% per annum above the bank's cost of funds with tenure of 5 years and subject to extension on each profit period maturity date.
- (vi) A Tawarruq financing facility of a subsidiary has a fixed profit rate of 4.0% per annum with tenure of 10 years. The facility is 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.
- (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.

29 BORROWINGS (Continued)

Ports and Logistics (Continued)

- (viii) The Islamic Medium Term Notes ("IMTN") entered into by a subsidiary in 2017 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 RM750 million under its IMTN programme with tenure ranging from 5 to 10 years. The profit rates on the IMTN ranging from 5.35% to 5.85% per annum
- (ix) A term loan of a subsidiary, carries effective cost of funds rate plus 0.90% per annum, from drawdown date until 18th month anniversary. The tenure of the term loan facilities is 18 months with bullet repayment. The final maturity date of the facilities is on 30 September 2019. As such, the term loan was classified as current liability as at 31 December 2018. The Group is currently in the process of refinancing the term loan amounting to RM1.0 billion via a Sukuk program. Management is of the opinion that the term loan will be refinanced on time.

Engineering

- (x) The revolving credits of subsidiaries are unsecured and bear an effective interest rate of 4.6% to 5.1% (2017: 4.3% to 4.8%) per annum.

Corporate and others

- (xi) 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 4.55% to 5.70% (2017: 4.84% to 6.25%) per annum. The remaining tenure of the loans ranges from 1 – 4 years with scheduled and bullet repayments.
- (xii) A term financing-i of a subsidiary carries interest ranging from 4.20% to 4.42% (2017: 4.19% to 4.20%) 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.

The loan was fully repaid during the financial year.

- (xiii) 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.
- (xiv) The revolving credit facilities of the Company bear interest ranging from 4.32% to 5.00% per annum (2017: 3.85% to 4.90% per annum).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

29 BORROWINGS (Continued)

Corporate and others (Continued)

(xv) 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.

(xvi) 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 2 years to 10 years. Profit rates on the IMTN issued are at fixed rates ranging from 5.20% to 5.95% per annum.

(xvii) Term loans of subsidiaries are secured by certain assets within the Group. The interest rates range from 4.95% to 6.00% per annum with remaining loan tenure ranges from 2 to 5 years.

30 LAND LEASE RECEIVED IN ADVANCE

	Group	
	2018 RM'000	2017 RM'000
<u>At cost:</u>		
At 1 January	252,828	254,229
Additions during the financial year	23,064	12,736
Recognised as income during the financial year (Note 7(i))	(11,002)	(14,137)
	264,890	252,828
Recognisable within next 12 months (included under other payables) (Note 31)	(15,394)	(17,072)
At 31 December	249,496	235,756

31 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
<u>Current</u>				
Trade payables	353,585	395,279	88,726	31,024
Other payables	441,162	535,994	24,382	83,647
Accruals	1,024,347	684,574	138,668	183,956
Dividend payable on RPS (Note 28)	16,675	16,674	–	–
Land lease received in advance (Note 30)	15,394	17,072	–	–
Land lease liabilities (Note 31(a))	1,630	1,983	–	–
Finance lease liabilities (Note 31(a))	514	2,900	–	–
Concession fee payable (Note 31(b))	16,000	18,000	–	–
Provision for retirement benefits (Note 31(c))	13,218	2,397	–	–
	1,882,525	1,674,873	251,776	298,627
<u>Non-current</u>				
Trade payables	42,200	21,800	42,200	21,800
Other payables	333,552	280,329	–	–
Land lease liabilities (Note 31(a))	7,720	9,371	–	–
Finance lease liabilities (Note 31(a))	–	366	–	–
	383,472	311,866	42,200	21,800
Total	2,265,997	1,986,739	293,976	320,427

The currency exposure profile of the trade and other payables are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Functional currency (RM):				
– US Dollar	3,290	2,289	–	–
– Others	794	1,153	–	–
	4,084	3,442	–	–

Credit terms of trade payables granted to the Group and the Company vary from immediate payment to 90 days (2017: immediate payment to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

31 TRADE AND OTHER PAYABLES (Continued)

(a) Lease liabilities

	Group			
	Land lease liabilities		Finance lease liabilities	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Minimum lease payments:				
Not later than 1 year	2,328	2,793	520	2,975
Later than 1 year and not later than 5 years	9,006	9,397	–	372
Later than 5 years	–	1,958	–	–
	11,334	14,148	520	3,347
Less: unexpired term charges	(1,984)	(2,794)	(6)	(81)
	9,350	11,354	514	3,266
Present value of finance lease obligations:				
Not later than 1 year	1,630	1,983	514	2,900
Later than 1 year and not later than 5 years	7,720	7,484	–	366
Later than 5 years	–	1,887	–	–
	9,350	11,354	514	3,266

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	
	2018 RM'000	2017 RM'000
Not later than 1 year	16,000	18,000

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 RM16 million (2017: RM18 million) is payable to Federal Government which is for the rights granted to operate, manage and develop the Airport, as disclosed above.

31 TRADE AND OTHER PAYABLES (Continued)

(c) Provision for retirement benefits

	Group	
	2018 RM'000	2017 RM'000
Present value of unfunded obligations	139,023	18,992
Net liability recognised in the statement of financial position	139,023	18,992
Analysed as:		
Current	13,218	2,397
Non-current	125,805	16,595
	139,023	18,992

Movement in defined benefit liabilities:

	Group	
	2018 RM'000	2017 RM'000
Defined benefit liabilities at beginning of the year	18,992	17,881
Included in profit or loss:		
Current service cost	4,226	1,172
Interest cost	3,620	405
	7,846	1,577
Other movements:		
Benefits paid by the plan	(7,776)	(466)
Acquisition of a subsidiary (Note 40 (a) (ii))	119,961	-
Defined benefit obligations at end of the year	139,023	18,992

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

31 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	
	2018 %	2017 %
Discount rates	5.3 – 5.5	5.3
Salary inflation rates	5.0 – 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	
	2018 RM'000	2017 RM'000
Impact on the aggregate service and interest costs:		
Discount rate:		
One percentage point increase	(12,100)	(1,129)
One percentage point decrease	13,946	1,129
Salary inflation:		
One percentage point increase	15,682	1,057
One percentage point decrease	(13,700)	(1,057)
Impact on the defined benefit obligation:		
Discount rate:		
One percentage point increase	(12,100)	(1,129)
One percentage point decrease	13,946	1,129
Salary inflation:		
One percentage point increase	15,682	1,057
One percentage point decrease	(13,700)	(1,057)

32 DEFERRED INCOME

	Group	
	2018 RM'000	2017 RM'000
At 1 January	259,567	288,767
Deferred income received during the financial year	206	82
Grant recognised during the financial year	3,565	–
Recognised as income during the financial year (Note 7(ii))	(29,285)	(29,282)
At 31 December	234,053	259,567
Non-current	204,374	230,308
Current	29,679	29,259
At 31 December	234,053	259,567

Deferred income is in relation to the grants/funds received by subsidiaries for development activities related to logistics businesses.

33 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2018		2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current				
Derivative used for hedging:				
Forward foreign currency exchange	–	359	–	8,140
Derivative held for trading:				
Warrants	–	–	3,868	–
	–	359	3,868	8,140

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

33 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Company			
	2018		2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Current</u>				
Derivative held for trading:				
Warrants	-	-	3,868	-

- (i) The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2018 were RM30,218,000 (2017: RM206,986,000). 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 2018 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.

34 CONTRACT ASSETS AND LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000 (Restated)	2018 RM'000	2017 RM'000 (Restated)
<u>Contract assets</u>				
Port and logistics related services	10,736	13,213	-	-
Construction contracts	400,358	239,635	42,056	62,356
	411,094	252,848	42,056	62,356
<u>Contract liabilities</u>				
Construction contracts	828,598	675,499	828,558	663,947

Contract assets have increased due to higher work progress.

Contract liabilities have increased due to the timing difference in revenue recognition and the progress billings.

34 CONTRACT ASSETS AND LIABILITIES (Continued)

The following revenue is recognised during the year:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	675,499	10,319	663,947	–

The amount of unfulfilled performance obligation of the Group and the Company of RM4.38 billion and RM3.83 billion respectively will be recognised in the financial statements in the next one to four years and one to four years respectively.

35 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 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 2018

35 SEGMENTAL INFORMATION (Continued)

	Ports and logistics RM'000	Energy and utilities			Airport RM'000	Others RM'000	Total RM'000
		Gas RM'000	Energy RM'000	Engineering RM'000			
2018							
<u>Revenue</u>							
Total	3,017,703	-	-	2,227,913	69,492	26,140	5,341,248
Inter-segment	(21,219)	-	-	(335,883)	-	(376)	(357,478)
External	2,996,484	-	-	1,892,030	69,492	25,764	4,983,770
<u>Results</u>							
Profit/(loss) before zakat and taxation	413,299	60,226	86,266	291,978	(12,816)	(436,026)	402,927
Finance costs	220,573	-	-	792	27,185	296,513	545,063
Depreciation and amortisation	492,267	-	-	8,296	28,784	15,040	544,387
EBITDA*	1,126,139	60,226	86,266	301,066	43,153	(124,473)	1,492,377
<u>Other information</u>							
Segment assets	13,537,963	-	-	1,951,704	2,979,746	477,523	18,946,936
Joint ventures	854	-	-	300,010	-	-	300,864
Associates	6,342	889,660	3,359,550	-	-	184,907	4,440,459
Interest-bearing instruments	1,293,661	-	-	63,201	41,451	218,375	1,616,688
Total assets							25,304,947
Segment liabilities	2,138,308	-	-	1,534,460	534,701	104,613	4,312,082
Interest-bearing instruments	5,240,806	-	-	3,000	377,209	5,078,983	10,699,998
Total liabilities							15,012,080
<u>Other disclosures</u>							
Capital expenditure	893,744	-	-	64,803	2,389	3,586	964,522
Interest income	32,196	-	-	4,085	1,329	1,602	39,212
Depreciation:							
- property, plant and equipment	471,954	-	-	8,296	24,588	14,693	519,531
- investment properties	8,620	-	-	-	-	347	8,967
Amortisation of:							
- rights on airport business	-	-	-	-	4,196	-	4,196
- rights on port business	8,189	-	-	-	-	-	8,189
- rights on concession assets	3,504	-	-	-	-	-	3,504

* EBITDA – Earnings/(loss) before interest, tax, depreciation and amortisation.

35 SEGMENTAL INFORMATION (Continued)

	Ports and logistics RM'000	Energy and utilities			Airport RM'000	Others RM'000	Total RM'000
		Gas RM'000	Energy RM'000	Engineering RM'000			
2017 (Restated)							
Revenue							
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
Results							
Profit/(loss) before zakat and taxation	478,756	45,432	100,477	194,060	4,989	(387,597)	436,117
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	45,432	100,477	202,295	58,863	(89,904)	1,393,242
Other information							
Segment assets	11,483,819	–	–	1,573,217	3,075,639	611,666	16,744,341
Joint ventures	265,495	–	–	288,486	–	–	553,981
Associates	5,789	882,982	3,401,706	19,427	–	181,521	4,491,425
Interest-bearing instruments	739,223	–	–	131,099	39,422	95,781	1,005,525
Total assets							22,795,272
Segment liabilities	1,866,547	–	–	1,263,382	536,148	62,905	3,728,982
Interest-bearing instruments	3,647,109	–	–	21,976	468,689	4,720,499	8,858,273
Total liabilities							12,587,255
Other disclosures							
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 2018

35 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	2018 RM'000	2017 RM'000
Customer A	Ports and logistics	753,213	667,723
Customer B	Engineering	1,383,346	597,108
Total		2,136,559	1,264,831

36 SIGNIFICANT CONTINGENT LIABILITIES

At 31 December 2018, the contingent liabilities in respect of guarantees issued are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bank guarantees issued to third parties for performance (secured/unsecured)	224,542	220,369	–	–

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. 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.

37 COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Capital commitments:				
Property, plant and equipment contracted but not provided for	484,015	507,042	-	-
	Group			
	2018 RM'000	2017 RM'000		
(b) Non-cancellable operating lease commitments				
(i) For computer hardware:				
Not later than 1 year	-	16		
	-	16		
(ii) For the port area:				
Not later than 1 year	64,777	34,046		
Later than 1 year and not later than 5 years	169,718	143,553		
Later than 5 years	1,793,099	1,520,171		
	2,027,594	1,697,770		
(iii) For rental of office building and equipment:				
Not later than 1 year	5,958	9,789		
Later than 1 year and not later than 5 years	5,088	1,997		
	11,046	11,786		
Total	2,038,640	1,709,572		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

38 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dr/(Cr)				
(a) The following transactions were carried out with related parties:				
Companies subject to common significant influence:				
Net drawdown/(repayment) of borrowings	20,000	(130,000)	–	–
Net increase/(decrease) in deposits	63,698	90,833	136,386	(31,217)
Acquisition of interest in:				
– a joint venture	–	(200,000)	–	–
– subsidiaries	(220,000)	(20,000)	–	–
Joint ventures:				
Management fees	12,131	17,057	12,131	17,057
(b) Financial year-end balances arising from:				
Companies subject to common significant influence:				
Borrowings	225,000	205,000	–	–
Other investments – cash and cash equivalent	501,057	437,359	197,210	60,823
(c) Key management compensation				
Fees	2,179	2,065	1,265	1,175
Salaries and bonuses	15,228	14,938	15,228	14,938
Defined contribution plan – contributions	2,252	2,222	2,252	2,222
Other employee benefits	1,329	1,059	1,173	1,011
	20,988	20,284	19,918	19,346

Key management includes Directors (executive and non-executive) and head of departments of the Group and the Company.

39 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
		2018 %	2017 %	
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
# 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 and construct sewage system
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<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
<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
* Seaport Worldwide Sdn. Bhd.	Malaysia	100.0	100.0	Investment holding and property development
SPT Services Sdn. Bhd.	Malaysia	100.0	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 Sdn. Bhd. (formerly known as 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

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<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.	Malaysia	70.0	70.0	Port operations
Penang Port Sdn. Bhd.	Malaysia	100.0	49.0	Operating, maintaining, managing and the provision of port facilities and other related services
<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
<u>Subsidiaries of MMC International Holdings Limited</u>				
# City Island Holdings Limited Islands	British Virgin	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 and provision of 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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<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
<u>Subsidiaries of Penang Port Sdn. Bhd.</u>				
Penang Port Human Capital Services Sdn. Bhd.	Malaysia	100.0	49.0	Provision of Human Resources for client businesses, other management consultancy activities, human resource affairs
Swettenham Pier Cruise Terminal Sdn. Bhd.	Malaysia	60.0	–	Development, operation, management and maintenance of the Swettenham Pier Cruise Terminal

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Inactive subsidiaries

Name of company	Country of incorporation	Group's effective interest	
		2018 %	2017 %
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 Logistics Holdings 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
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	–	–
SWESB MMCES JV Sdn. Bhd.	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	–	–
<u>Subsidiaries of Anglo-Oriental (Malaya) Sdn. Bhd.</u>			
* Anglo-Oriental Malaya Trustees Sdn. Bhd. (under members' voluntary liquidation)	Malaysia	–	–
MMC Frigstad Offshore Sdn. Bhd.	Malaysia	100.0	100.0

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39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Inactive subsidiaries (Continued)

Name of company	Country of incorporation	Group's effective interest	
		2018 %	2017 %
<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 (under members' voluntary liquidation)	Malaysia	–	100.0

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Associates

Name of company	Country of incorporation	Group's effective interest		Accounting date for inclusion of company results	Principal activities
		2018 %	2017 %		
++ Gas Malaysia Berhad	Malaysia	30.9	30.9	31.12.2018	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	31.12.2018	Investment holding
++ Zelan Berhad &	Malaysia	–	39.2	09.03.2018	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	31.12.2018	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	31.12.2018	Operation and maintenance of container terminals
* Red Sea Ports Development Company Limited	Kingdom of Saudi Arabia	20.0	20.0	31.12.2018	Operation and maintenance of container terminals
<u>Associate of NCB Holdings Bhd.</u>					
* P.T. Ritra Konnas Freight Centre	Indonesia	33.0	33.0	31.12.2018	Container depot operations

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for the financial year ended 31 December 2018

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Inactive associates

Name of company	Country of incorporation	Group's effective interest	
		2018 %	2017 %
* Konsortium Bernas MMC SPPM Sdn. Bhd.	Malaysia	10.0	10.0
Associate of MMC Marketing Sdn. Bhd.			
* Ajil Minerals Sdn. Bhd.	Malaysia	49.0	49.0

Joint arrangements

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<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

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Joint arrangements (Continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<u>Joint ventures</u> (Continued)				
* 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
* 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>				
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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

39 COMPANIES IN THE GROUP (Continued)

The principal activities of the companies in the Group, their places of incorporation and the interest of the Group are shown below: (Continued)

Name of company	Country of incorporation	Group's effective interest		Principal activities
		2018 %	2017 %	
<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

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 9 March 2018, Zelan Berhad ceased to be an associate of the Group as the Group no longer has significant influence over the company. The Group had subsequently reclassified the investment in Zelan Berhad as an investment securities.

40 SIGNIFICANT EVENTS

(a) Acquisition of Subsidiaries

2018

- (i) On 1 May 2018, MMC Port Holdings Sdn Bhd ("MMC Port"), a wholly-owned subsidiary of MMC completed the acquisition of the remaining 37,459,501 ordinary shares in Penang Port Sdn Bhd ("PPSB"), representing approximately 51.0% ordinary equity interest in PPSB for a cash consideration of RM220.0 million. Following the completion of the acquisition, PPSB has become a wholly-owned subsidiary of MMC Port.

As at reporting date, the Purchase Price Allocation exercise in respect of the acquisition has been finalised. In the 8 months to 31 December 2018, PPSB contributed revenue of RM319,314,000 and profit of RM44,907,000. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue and profit would have been RM478,861,000 and RM62,569,000 respectively.

The following summarises the amounts of assets and liabilities recognised at the acquisition date:

	Book Value RM'000	Fair Value RM'000
Property, plant and equipment	1,365,882	1,426,447
Deposits, cash and bank	196,547	196,547
Deferred tax assets	87,280	72,685
Other tangible assets	59,911	59,911
Intangible assets	13,698	44,492
Borrowings	(1,000,000)	(1,000,000)
Provision for retirement benefits	(119,961)	(119,961)
Other liabilities	(116,798)	(147,346)
Total identifiable net assets on acquisition date	486,559	532,775

	Fair Value RM'000
Cash consideration paid during the financial year	198,000
Deposit paid in prior financial year	22,000
Total cash consideration paid	220,000
Less: Share of 51% fair value of identifiable net assets	(271,715)
Negative goodwill	(51,715)

Net cash outflow from acquisition of subsidiary:	
Cash consideration paid during the financial year	198,000
Less: Cash and cash equivalent of subsidiary acquired	(196,547)
Net cash outflow to the Group on acquisition	1,453

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

40 SIGNIFICANT EVENTS (Continued)

(a) Acquisition of Subsidiaries (Continued)

2018 (Continued)

- (ii) On 6 September 2018, Penang Port Sdn Bhd ("PPSB"), a wholly-owned subsidiary of MMC Port Holdings Sdn Bhd ("MMC Port"), which in turn is a wholly-owned subsidiary of MMC, had acquired 6 ordinary shares in Swettenham Pier Cruise Terminal Sdn Bhd ("SPCTSB"), representing 60.0% equity interest in SPCTSB for a cash consideration of RM6. Following the completion of the acquisition, SPCTSB has become a subsidiary of PPSP. The acquisition has no significant impact to the Group.

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 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. ("TBP") (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.

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

40 SIGNIFICANT EVENTS (Continued)

(a) Acquisition of Subsidiaries (Continued)

2017 (Continued)

(ii) The following summarises the amounts of assets and liabilities recognised at the acquisition date: (Continued)

	RM'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

(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, PPSB 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, PPSB 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 summarises 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 on acquisition date	459,601	498,357

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

40 SIGNIFICANT EVENTS (Continued)

(b) Acquisition of a Joint Venture (Continued)

2017 (Continued)

	Fair Value RM'000
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.

41 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.

41 FINANCIAL INSTRUMENTS (Continued)

Policy on transfer between levels (Continued)

(b) Financial instruments in Level 2 (Continued)

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:

2018

- a) Financial assets and liabilities measured at amortised cost;
- b) Fair value through profit or loss (FVTPL); and
- c) Fair value through other comprehensive income (FVOCI).

2017

- a) Loans and receivables (L&R);
- b) Financial liabilities measured at amortised cost (FL);
- c) Fair value through profit or loss (FVTPL); and
- d) AFS – Available for sale.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

41 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	Amortised cost RM'000	FVTPL RM'000	FVOCI RM'000
2018				
<u>Financial assets</u>				
Trade and other receivables	2,307,549	2,307,549	-	-
Contract assets	411,094	411,094	-	-
Investment securities	11,664	-	-	11,664
Other investments – cash and cash equivalent	561,026	-	561,026	-
Cash and bank balances	1,055,662	1,055,662	-	-
	4,346,995	3,774,305	561,026	11,664
<u>Financial liabilities</u>				
Borrowings	(10,683,324)	(10,683,324)	-	-
Trade and other payables	(1,927,800)	(1,927,800)	-	-
Contract liabilities	(828,598)	(828,598)	-	-
Redeemable preference shares	(33,349)	(33,349)	-	-
Derivative financial liabilities	(359)	-	(359)	-
	(13,473,430)	(13,473,071)	(359)	-

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	2,220,055	2,220,055	-	-
Contract assets	252,848	252,848	-	-
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	-	-
	3,485,384	3,478,428	3,868	3,088
<u>Financial liabilities</u>				
Borrowings	(8,824,924)	(8,824,924)	-	-
Trade and other payables	(1,650,736)	(1,650,736)	-	-
Contract liabilities	(675,499)	(675,499)	-	-
Redeemable preference shares	(50,023)	(50,023)	-	-
Derivative financial liabilities	(8,140)	-	(8,140)	-
	(11,209,322)	(11,201,182)	(8,140)	-

41 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	Amortised cost RM'000	FVTPL RM'000	FVOCI RM'000
2018				
<u>Financial assets</u>				
Trade and other receivables	1,241,204	1,241,204	-	-
Contract assets	42,056	42,056	-	-
Investment securities	8,289	-	-	8,289
Other investments – cash and cash equivalent	197,464	-	197,464	-
Cash and bank balances	10,351	10,351	-	-
	1,499,364	1,293,611	197,464	8,289
<u>Financial liabilities</u>				
Borrowings	(3,604,454)	(3,604,454)	-	-
Trade and other payables	(282,198)	(282,198)	-	-
Contract liabilities	(828,558)	(828,558)	-	-
Amounts due to subsidiaries	(69,613)	(69,613)	-	-
	(4,784,823)	(4,784,823)	-	-

Company	Carrying amount RM'000	L&R/ FL RM'000	FVTPL RM'000
2017			
<u>Financial assets</u>			
Trade and other receivables	964,325	964,325	-
Contract assets	62,356	62,356	-
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	(306,866)	(306,866)	-
Contract liabilities	(663,947)	(663,947)	-
Amounts due to subsidiaries	(78,908)	(78,908)	-
	(4,248,600)	(4,248,600)	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

41 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.

Group	2018									
	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
Financial assets										
Investment securities	11,664	-	-	11,664	-	-	-	-	11,664	11,664
Trade and other receivables (non-current)	-	-	-	-	-	130,504	-	130,504	130,504	130,504
Other investments – cash & cash equivalent	561,026	-	-	561,026	-	-	-	-	561,026	561,026
	572,690	-	-	572,690	-	130,504	-	130,504	703,194	703,194
Financial liabilities										
Derivative financial liabilities:										
Forward foreign exchange	-	(359)	-	(359)	-	-	-	-	(359)	(359)
Redeemable preference shares	-	-	-	-	-	(33,349)	-	(33,349)	(33,349)	(33,349)
Borrowings	-	-	-	-	-	(10,635,990)	-	(10,635,990)	(10,635,990)	(10,683,324)
Trade and other payables (non-current)	-	-	-	-	-	(49,920)	-	(49,920)	(49,920)	(49,920)
	-	(359)	-	(359)	-	(10,719,259)	-	(10,719,259)	(10,719,618)	(10,766,952)

41 FINANCIAL INSTRUMENTS (Continued)

Fair value information (Continued)

Group	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	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>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 2018

41 FINANCIAL INSTRUMENTS (Continued)

Fair value information (Continued)

Company	2018									
	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>Financial assets</u>										
Investment securities	8,289	-	-	8,289	-	-	-	-	8,289	8,289
Other investments – cash and cash equivalent	197,464	-	-	197,464	-	-	-	-	197,464	197,464
	205,753	-	-	205,753	-	-	-	-	205,753	205,753
<u>Financial liabilities</u>										
Borrowings	-	-	-	-	-	(3,598,982)	-	(3,598,982)	(3,598,982)	(3,604,454)
Trade and other payables (non-current)	-	-	-	-	-	(42,200)	-	(42,200)	(42,200)	(42,200)
	-	-	-	-	-	(3,641,182)	-	(3,641,182)	(3,641,182)	(3,646,654)

41 FINANCIAL INSTRUMENTS (Continued)

Fair value information (Continued)

Company	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	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>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)

42 COMPARATIVES

a) Adoption of MFRS 15 Revenue

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group has adopted MFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in a change in the accounting policy and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in MFRS 15, the Group has adopted the new rules retrospectively and has restated the comparatives accordingly.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2018

42 COMPARATIVES (Continued)

b) Restatement of share of results of associates

Shuaibah Water and Electricity Company Limited ("SWEC") and Shuaibah Expansion Project Company Limited ("SEPCO"), a 12% and 11.9% owned indirect associates of Malakoff Corporation Berhad respectively, which in turn is a 37.6% owned associate of the Company, had reassessed their application of certain accounting policies and concluded that there had been under-recognition of deferred tax liabilities, depreciation of property, plant and equipment and cash flow hedge reserve in the previous years. Consequently, both SWEC and SEPCO have restated their property, plant and equipment, deferred tax assets/liabilities, cash flow hedge reserve and retained earnings balances in prior years, retrospectively.

As a result, the Group has restated the share of results of associates, investments in associates, retained earnings and reserve balances in prior years.

The following table discloses the impact arising from the comparative adjustments above:

Impact on the statement of financial position as at 31 December 2017:

	As previously reported RM'000	Prior year adjustments		As restated RM'000
		42(a) RM'000	42(b) RM'000	
<u>Group</u>				
Interests in associates	4,516,116	(10,350)	(14,341)	4,491,425
Trade and other receivables (current)	2,209,596	(245,953)	–	1,963,643
Contract assets	–	252,848	–	252,848
Trade and other payables (current)	(2,343,477)	668,604	–	(1,674,873)
Contract liabilities	–	(675,499)	–	(675,499)
Retained earnings	(7,071,281)	10,350	40,114	(7,020,817)
Cash flow hedge reserves	(4,588)	–	(25,773)	(30,361)
<u>Company</u>				
Trade and other receivables (current)	969,789	(62,356)	–	907,433
Contract assets	–	62,356	–	62,356
Trade and other payables (current)	(962,574)	663,947	–	(298,627)
Contract liabilities	–	(663,947)	–	(663,947)

42 COMPARATIVES (Continued)

The following table discloses the impact arising from the comparative adjustments above: (Continued)

Impact on the statement of financial position as at 1 January 2017:

	As previously reported RM'000	Prior year adjustments		As restated RM'000
		42(a) RM'000	42(b) RM'000	
<u>Group</u>				
Interests in associates	4,558,660	–	(5,471)	4,553,189
Trade and other receivables (current)	2,329,908	(217,803)	–	2,112,105
Contract assets	–	217,803	–	217,803
Trade and other payables (current)	(1,999,840)	10,319	–	(1,989,521)
Contract liabilities	–	(10,319)	–	(10,319)
Retained earnings	(6,596,133)	–	34,842	(6,561,291)
Cash flow hedge reserves	(31,085)	–	(29,371)	(60,456)
<u>Company</u>				
Trade and other receivables (current)	950,843	(123,753)	–	827,090
Contract assets	–	123,753	–	123,753

Impact on the Group's statement of comprehensive income for the financial year ended 31 December 2017:

	As previously reported RM'000	Prior year adjustments		As restated RM'000
		42(a) RM'000	42(b) RM'000	
Share of results of associates	139,647	(10,350)	(5,272)	124,025
Net profit for the financial year	267,456	(10,350)	(5,272)	251,834
Movement in associates' reserve	5,306	–	(3,598)	1,708
Total comprehensive income for the financial year	145,535	(10,350)	(8,870)	126,315
Earnings per share (sen)	7.4	(0.3)	(0.2)	6.9

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))))		19	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))))))))	2,293,214	–	1995
PTD No. 1586 Serkat District of Pontian Johor	Leasehold	114.92	Land for port terminal & buildings	2055))))		–	1995
PTD No. 2519 Tanjung Kupang District of Johor Bahru Johor	Leasehold	0.22	Commercial & industrial land	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	816,549	15	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	448,925	12	2005
Plentong District of Johor Bahru Johor	Leasehold	112.1	Break bulk and dry bulk cargo berths 7-11	2052	26,242	21	1997
Plentong District of Johor Bahru Johor	Leasehold	13.44	Container terminal berths 1 – 3	2052	9,124	26	1992

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Plentong District of Johor Bahru Johor	Leasehold	–	Dangerous cargo jetty 4	2052	27,238	19	1999
PLO 702, Zone 12C Pasir Gudang Industrial Area Johor	Leasehold	26.97	Industrial/ vacant	2073	42,133	4	2014
PLO 796, Zone 12C Pasir Gudang Industrial Area Johor	Leasehold	6.2	Industrial/ vacant	2073	12,467	4	2014
PLO 26 Tanjung Langsat Industrial Complex Johor	Leasehold	12.14	Industrial/ vacant	2045	46,588	2	2016
Lot Nos. 762 & 763 Pekan Nilai District of Seremban Negeri Sembilan	Leasehold	5.59	Factory building	2089	9,388	26	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 (Hershey's) PTD Nos. 109446-109458 Mukim of Senai District of Kulaijaya Johor	Freehold	458.602	Land held for development of Senai Airport City)))))))))))	1,357,238	–	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	373.112	Land held for development of Senai Airport City))))))		–	2008

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
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	3,603	30 – 48	1992
Berth 8A North Port, Port Klang	Leasehold	9.75	Berthing facilities for ship	2043	235,085	5	2014
Berth 8, 9 and 10 North Port, Port Klang	Leasehold	18.5	Berthing facilities for ship	2043	128,203	45	1986
Berth 11 and Back-up Area North Port, Port Klang	Leasehold	13.9	Berthing facilities for ships and storage of containers	2043	2,754	49	1992
Berth 12 and 13 North Port, Port Klang	Leasehold	9.6	Berthing facilities for ships	2043	13,852	17	1992
Berth 14-25 North Port, Port Klang	Leasehold	66.31	Berthing facilities for ships	2043	38,241	35 – 54	1992
Container Terminal North Port, Port Klang	Leasehold	49.2	Storage of containers, warehouses and office buildings	2043	161	N/A	1986
Container Terminal North Port, Port Klang	Leasehold	N/A	Infrastructure, and warehouses	2043	139,035	46	1986
Dockyard Southpoint, Port Klang	Leasehold	3.28	Docking facilities	2043	N/A	48	1992
Port and Terminal Area	Leasehold	N/A	Infrastructure, power stations and warehouses	2043	45,533	20 – 26	1992

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
Warehouse D1 to D4 Jalan Parang North Port, Port Klang	Leasehold	2.6	Warehouses for cargo storage	2031	15,075	21 – 26	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	8,929	21 – 26	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	59,314	20	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	34,830	36	1978
Batu 9 Jalan Klang Lama 47300 Petaling Jaya Selangor Darul Ehsan	Leasehold	74,936 sq.m.	Warehouse, office and container yard	2103	145,738	29	1979
2443 Lorong Perusahaan Satu Kawasan Perindustrian Prai 13600 Prai Pulau Pinang	Leasehold	81,692 sq.m.	Warehouse and office	2041 – 2053	21,904	21 – 33	1981
Lot 126 Kawasan Perindustrian Gebeng 26080 Kuantan Pahang Darul Makmur	Leasehold	175,791 sq.m.	Warehouse, office and container yard	2063	25,779	20	1993
PLO 282, Jalan Suasa Kawasan Perindustrian Pasir Gudang 81700 Pasir Gudang Johor Darul Takzim	Leasehold	57,986 sq.m.	Container yard	2046	14,175	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	21,744	11	1997

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
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	6.288	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
Geran 213281 Lot No 70028 Seksyen 39 (formerly HS(D) 67877 PT 10847) Bandar Kulim Daerah Kulim Kedah	Freehold	6.286	Vacant land	N/A	10,135	N/A	2016
Geran 213282 Lot No 70027 Seksyen 39 (formerly HS(D) 67879 PT 10849) Bandar Kulim Daerah Kulim Kedah	Freehold	6.95	Vacant land	N/A	11,205	N/A	2016
Geran 213283 Lot No 70025 Seksyen 39 (formerly HS(D) 67880 PT 10850) Bandar Kulim Daerah Kulim Kedah	Freehold	3.206	Vacant land	N/A	5,169	N/A	2016

Location	Tenure	Area (hectares)	Description/ existing use	Year of expiry	Net book value (RM'000)	Age of building (years)	Year of acquisition
HS(D) 67881 PT 10851 Bandar Kulim Daerah Kulim Kedah	Freehold	3.7927	Vacant land	N/A	6,115	N/A	2016
HS(D) 67873 PT 10840 Bandar Kulim Daerah Kulim Kedah	Freehold	47.9063	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	23.8781	Vacant land	N/A	38,497	N/A	2016
HSD 31785, PT 54, HSD 36634, PT 1535, HSD 36636, PT 1536, PN 10919, LOT 5303, HSD 42208,PT 3191, Mukim 01, Seberang Perai Tengah, Pulau Pinang	Leasehold	38.6	Commercial & industrial land	2041)))))	1,101,753	23	1993
HSD 28145, PT 4, HSD 28522, PT 1, G 161024, LOT 10057, PN 10916, LOT 6047, HSD 56678, PT 3354, Bandar Prai, Seberang Perai Tengah, Pulau Pinang	Leasehold	27.35	Commercial, industrial & vacant land	2041))))))		23	1993
HSD 7942, PT 370 G 48976, LOT 2234 HSD 9813, PLOT A HSD 10871, PT 321 HSD 10872, PT 322 HSD 29524, PT 703 HSD 29525, PT 685 HSD 29526, PT 702 HSD 29528, PT 687 HSD 29563, PT 704 PN 9796, LOT 9805 G 64415, LOT 344 Seksyen 4, Bandar Butterworth, Seberang Perai Utara, Pulau Pinang	Leasehold	122.30	Commercial, industrial & vacant land/ building	2041)))))))))))))		23	1993

SHAREHOLDINGS

STATISTICS

as at 15 March 2019

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	552,836,200	18.16	–	–
– Amanah Saham Bumiputera				
Urusharta Jamaah Sdn Bhd	233,819,700	7.68	–	–
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
Sharifah Sofia Syed Mokhtar Shah	–	–	&1,576,108,840	51.76

Notes:

* deemed interested through Seaport Terminal (Johore) Sdn Bhd

@ deemed interested through Indra Cita Sdn Bhd

& Sharifah Sofia is the daughter of YBhg. Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor, the ultimate Major Shareholder of MMC Corporation Berhad through his 99.99% shareholding in Indra Cita Sdn Bhd, the holding company of Seaport Terminal (Johore) 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	593	6.59	8,729	0.00
100 – 1,000	1,435	15.96	978,309	0.03
1,001 – 10,000	5,030	55.94	23,396,288	0.77
10,001 – 100,000	1,625	18.07	49,062,825	1.61
100,001 to less than 5% of issued shares	306	3.40	608,847,661	19.99
5% and above of issued shares	3	0.03	2,362,764,740	77.59
TOTAL	8,992	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	Urusharta Jamaah Sdn Bhd	233,819,700	7.68
4	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	144,603,121	4.75
5	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd	99,077,700	3.25
6	Kumpulan Wang Persaraan (Diperbadankan)	42,606,800	1.40
7	Amanahraya Trustees Berhad – Amanah Saham Malaysia 2 – Wawasan	22,629,500	0.74
8	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	21,876,400	0.72
9	Maybank Investment Bank Berhad – IVT (10)	19,091,800	0.63
10	Amanahraya Trustees Berhad – Amanah Saham Malaysia 3	18,264,800	0.60
11	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Emerging Markets Stock Index Fund	15,609,395	0.51
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	Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 14)	10,365,600	0.34
15	Amanahraya Trustees Berhad – Amanah Saham Bumiputera 3 – Didik	9,591,700	0.31
16	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	7,887,379	0.26
17	Maybank Nominees (Tempatan) Sdn Bhd – National Trust Fund (IFM Maybank)	7,047,600	0.23
18	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Cheng Mooi Soong	4,727,100	0.16
19	DB (Malaysia) Nominees (Asing) Sdn Bhd – State Street London Fund AX27 for AXA Rosenberg Equity Alphatrust	4,532,900	0.15
20	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Lee Ai Chu	4,476,700	0.15

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares Held	% of Issued Capital
21	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (ARIM)	4,209,700	0.14
22	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (RHB Inv)	3,992,200	0.13
23	Maybank Nominees (Tempatan) Sdn Bhd – Etiqa Life Insurance Berhad (Life Non PAR)	3,885,100	0.13
24	Maybank Nominees (Tempatan) Sdn Bhd – Etiqa Life Insurance Berhad (Life PAR)	3,690,000	0.12
25	Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Participating Fund	3,477,900	0.11
26	Citigroup Nominees (Asing) Sdn Bhd – Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	3,159,900	0.10
27	Cartaban Nominees (Asing) Sdn Bhd – SSBT Fund C021 for College Retirement Equities Fund	3,138,230	0.10
28	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	3,000,000	0.10
29	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Credit Suisse (SG BR-TST-Asing)	2,906,400	0.10
30	Cartaban Nominees (Tempatan) Sdn Bhd – PBTB for Takafulink Dana Ekuiti	2,762,500	0.09
Total		2,852,535,665	93.69

GLOSSARY

Industry Terms	Definition
ASEAN	The Association of Southeast Asian Nations.
Break Bulk	Loose general cargo or non-containerised cargo stowed directly into the ship's hold. E.g. boxes, crates, drums or barrels.
Chemical Oxygen Demand (COD)	The indirect measurement of the amount of pollution that cannot be oxidised biologically, in a sample of water.
Compounded Average Growth Rate (CAGR)	The rate of return required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.
Department of Environment Malaysia (DOE)	A government department established under the Ministry of Technology, Environment and Climate Change, tasked to manage environmental issues.
Dry Bulk	Raw materials shipped in large, unpackaged parcels. E.g. coal, iron ore or grain.
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	Profit before taxation and non-controlling interests with the addition of amounts previously deducted for depreciation, amortisation and financing costs.
Earnings Per Share (EPS)	The company's net income divided by the total number of outstanding shares.
Electrified Rubber-Tyred Gantry (E-RTG)	An electric-powered mobile gantry crane, as opposed to a conventional RTG used in intermodal operations to ground or stack containers.
Empty Container (MT)	A container that has been unloaded.
Energy Monitoring System (EMS)	A device or method to monitor energy consumption efficiency.
Environment Management Plan (EMP)	A plan for formulation, implementation and monitoring of environment, which is explicit, illustrative, action-oriented, time-bound and definitive.
Environmental Impact Assessment (EIA)	The assessment of the environmental consequences (positive and negative) of a plan, policy, programme, or actual project prior to the decision to move forward with the proposed action.
Erosion and Sedimentation Control Plan (ESCP)	A plan that details temporary measures to be implemented during the construction phase and may include post-development permanent measures to control the environmental impacts of erosion and sedimentation.
Foreign Exchange (FOREX)	The market in which currencies are traded.
Freight Weight Tonnes (FWT)	Unit of volume of weight used for measuring freight in shipping.
Gas cost pass through (GCPT)	A local natural gas tariff.
Gross Domestic Product (GDP)	The monetary value of all the finished goods and services produced within a country's geographic borders over a specific time period.
Gross Profit	Profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services.

GLOSSARY

Industry Terms	Definition
Health Safety Environment (HSE)	A discipline, branch or department within a company that is responsible for the implementation, observance and protection of occupational health and safety rules and regulations as well as environmental protection.
Health, Safety, Security, Environment (HSSE)	A discipline that studies and implements practical aspects of health security, environmental protection and safety at work.
Hybrid Rubber-Tyred Gantry (RTG)	Similar to Rubber-Tyred Gantry but with smaller engines, where the regenerative energy is stored as recaptured electricity and re-used for power optimisation. Hybrid RTG uses either a rechargeable battery or capacitor for energy storage.
Incentive Based Regulation (IBR)	Implemented by the Energy Commission in 2014 as part of the reform of the Malaysian Electricity Supply Industry (MESI). Among others, IBR was introduced to enable transparency in regulating energy providers in Malaysia, as well as to promote efficiency for the industry.
International Organisation for Standardisation (ISO)	An independent, non-governmental international organisation that develops international standards for various aspects (e.g. quality, safety, environment, food safety etc.) and almost every industry.
Light-Emitting Diode (LED)	A semiconductor light source that emits light when the current flows through it.
Loss Time Injury (LTI)	A work-related incident that results in a fatality or permanent or temporary or partial disability or time (days) lost from work.
Million British Thermal Units (MMBtu)	A standard unit of measurement used to assess energy content in fuel and the ability of appliances and air conditioning system to produce heating or cooling. It is also used as a standard unit of measurement for natural gas as well as power and steam generation.
National Water Quality Standard (NWQS)	A set of standards derived based on beneficial uses of water.
Occupational Safety and Health (OSH)	A multidisciplinary field concerned with the safety, health, and welfare of people at work.
Power Purchase Agreement (PPA)	A legal contract between an electricity generator (provider) and a power purchaser (buyer, typically a utility or large power buyer/trader).
Pre-tax Profit	Profit before tax, a measure that looks at a company's profits before the company has to pay corporate income tax. It deducts all expenses from revenue including interest expenses and operating expenses except for income tax.
Prime Mover (PM)	A tractor unit or, a heavy-duty towing engine that provides motive power for hauling a towed or trailered load.
Profit Before Zakat and Tax (PBZT)	A measure that looks at a company's profits before the company has to pay corporate income tax and zakat in Malaysia.
Quay Crane (QC)	A wharf crane capable of moving on rail tracks along the platform beside the sea for loading/unloading cargo from/into vessels. It is also known as ship-to-shore cranes.
Rail Mounted Gantry (RMG)	A fully electrified crane. The RMG crane is typically wider and higher than the RTG crane and is mounted on rail. Main power supply via cable reel similar to a quay cranes.

Industry Terms	Definition
Reduce, Reuse and Recycle (3R)	An approach to manage wastes produced, as an alternative to directly disposing in landfills.
Renewable Energy (RE)	Energy derived from natural resources that are naturally replenished.
Revenue	Income that a business has from its normal business activities.
Roll-on Roll-off (RoRo)	A vessel designed to carry wheeled cargo that are driven on and off the ship on its own wheels or using a platform vehicle, such as a self-propelled modular transporter.
Rubber-Tyred Gantry (RTG)	A conventional mobile gantry crane with rubber tyres powered by diesel generator system (gensets), used in intermodal operations to ground or stack containers.
Small and Medium sized Enterprise (SME)	A company that employs fewer than a given number of employees with a specified range of turnover.
The Average Noise Level (LAeq)	A weighted equivalent continuous sound level in decibels measured over a stated period of time. It is used to describe sound levels that vary over time, resulting in a single decibel value, which takes into account the total sound energy over the period of time of interest.
The Malaysian Society for Occupational Safety and Health (MSOSH)	An independent non-profit, non-government and non-political organisation that is dedicated to promoting occupational health awareness, programmes and practices in Malaysia.
Total Suspended Particulates (TSP)	The indicator used to represent suspended particles in the ambient air.
Total Suspended Solids (TSS)	Total quantity measurement of solid material per volume of water.
Triple-E Vessel	A very large container ship with a capacity of more than 18,000 TEUs.
Tunnel Boring Machine (TBM)	A machine used to excavate tunnels with a circular cross section through a variety of soil and rock strata.
Twenty Foot Equivalent Unit (TEU)	Unit of the cargo capacity of a container ship, a container terminal and the statistics of the container transit in a port.
Variable Frequency (VF) RTG	Similar to Rubber Tyred-Gantry, but the engine automatically optimises the speed according to the required power.
Variable Refrigerant Volume (VRV)	VRV in a system for heating, ventilating and air conditioning, which has the flexibility to vary the flow of refrigerant to multiple internal evaporators, such as fan coil units, based on demand. This energy-saving system is cost effective and enables the air conditioning unit to operate economically.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FORTY-THIRD ANNUAL GENERAL MEETING (43RD AGM) OF MMC CORPORATION BERHAD WILL BE HELD AT MAHKOTA II, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA ON THURSDAY, 9 MAY 2019 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 2018 and the Directors' Report and Auditors' Report thereon. **Please refer to Note A**
2. To approve the payment of Directors' fees up to an amount of RM1,400,000.00 to the Non-Executive Directors (NEDs) of the Company for the period from 10 May 2019 until the conclusion of the next Annual General Meeting (AGM). **Resolution 1**
3. To approve the benefits payable to the Directors of the Company up to an amount of RM2,200,000.00 for the period from 10 May 2019 until the conclusion of the next AGM. **Resolution 2**
4. To re-elect the following Directors who retire in Accordance with Article 18.3 of the Company's Constitution and who being eligible, offer themselves for re-election:

(a) Dato' Sri Che Khalib Mohamad Noh	Resolution 3
(b) Dato' Siti Halimah Ismail	Resolution 4
(c) Syed Naqiz Shahabuddin Syed Abdul Jabbar	Resolution 5
5. To re-elect Sharifah Sofia Syed Mokhtar Shah who retires in accordance with Article 18.9 of the Company's Constitution and who being eligible, offers herself for re-election. **Resolution 6**
6. 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 7**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions:

7. 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 8**
8. 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 9**

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 43rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 16.5 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 2 May 2019. Only a depositor whose name appears on the Record of Depositors as at 2 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

BY ORDER OF THE BOARD

Ahmad Aznan Mohd Nawawi
Sazlin Ayesha Abdul Samat
 Company Secretaries

Kuala Lumpur
 17 April 2019

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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 43rd 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.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESSES:

Note A

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require shareholders' approval 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 had agreed that the shareholders' approval shall be sought at the Company's 43rd AGM on the Directors' remuneration in two (2) separate resolutions as follows:

- (a) Resolution 1 on payment of Directors' fees to the NEDs for the period from 10 May 2019 until the conclusion of the next AGM; and
- (b) Resolution 2 on benefits payable to the Directors for the period from 10 May 2019 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 1 and 2 are passed and approved at the Company's 43rd AGM. The Board is of the view that it is just and equitable for the Directors to be paid the Directors' 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.

Resolution 1 – Payment of Directors' fees to the NEDs for the period from 10 May 2019 until the conclusion of the next AGM

The total amount of Directors' fees payable to the NEDs is estimated to be up to RM1,400,000.00 for the period from 10 May 2019 until the conclusion of the next AGM.

At the Forty-Second AGM ("42nd AGM") of the Company held on 14 May 2018, the Directors' fees of up to RM1,938,000.00 for the period from 1 January 2018 until the conclusion of the 43rd AGM was approved by the shareholders. The utilisation of this approved amount as at 31 December 2018 is RM1,265,032.25. An amount of RM424,000.00 is expected to be utilised for the period of 1 January 2019 to 9 May 2019. The total utilised amount would be approximately 87.15% of the approved amount.

Resolution 2 – Approval on benefits payable to the Directors for the period from 10 May 2019 until the conclusion of the next AGM

The benefits payable to the Directors consists of meeting allowances, Committees' fixed allowance and benefits in kind. The total amount of benefits payable to the Directors is estimated to be up to RM2,200,000.00 for the period from 10 May 2019 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.

At the 42nd AGM of the Company held on 14 May 2018, the benefits payable to the Directors of up to RM3,258,490.00 for the period from 1 January 2018 until the conclusion of the 43rd AGM was approved by the shareholders. The utilisation of this approved amount as at 31 December 2018 is RM1,797,715.91. An amount of RM800,785.32 is expected to be utilised for the period of 1 January 2019 to 9 May 2019. The total utilised amount would be approximately 79.75% of the approved amount.

Resolutions 3, 4, 5 and 6 – Proposed Re-election of Directors

In determining the eligibility of the Directors to stand for re-election at the 43rd AGM, the Board and the 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 2018, 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 7 – Re-appointment of Auditors

The Board and the Audit Committee have assessed the performance of Messrs. PricewaterhouseCoopers PLT (PwC) and are 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 1 April 2019 agreed to recommend to the shareholders of the Company to approve the re-appointment of PwC as the Company's external auditors for the Financial Year 2019.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESSES:

Resolutions 8 and 9 – 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 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 fulfil 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 attend 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.

NOTICE OF BOOK CLOSURE AND NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

The Board had, on 1 April 2019, approved and declared a final single-tier dividend of 4.0 sen per share for the Financial Year Ended 31 December 2018.

In respect of the above, a Notice is hereby given that the dividend will be paid to the shareholders on 26 June 2019. The entitlement date for the dividend shall be on 3 June 2019.

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 3 June 2019 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.

STATEMENT ACCOMPANYING NOTICE OF THE 43RD AGM

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. **The Directors who are retiring by rotation in accordance with Article 18.3 of the Company's Constitution and seeking re-election:**
 - (a) Dato' Sri Che Khalib Mohamad Noh;
 - (b) Dato' Siti Halimah Ismail; and
 - (c) Syed Naqiz Shahabuddin Syed Abdul Jabbar.
2. **The Director who is retiring in accordance with Article 18.9 of the Company's Constitution and seeking re-election:**
 - (a) Sharifah Sofia Syed Mokhtar Shah.

The profiles of the abovenamed Directors are stated in the Directors' Profile on pages 16 to 20 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-THIRD ANNUAL GENERAL MEETING (43RD AGM) OF MMC CORPORATION BERHAD TO BE HELD AT MAHKOTA II, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA ON THURSDAY, 9 MAY 2019 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 may 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 43rd 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)/passport during the registration for verification and ensure that you collect your IC/passport thereafter.
- You will be given an identification tag upon the verification and registration. No person will be allowed to enter the Ballroom without the identification tag.

MEAL VOUCHER

- A meal voucher will be distributed upon registration from **8.00 a.m. to 10.00 a.m.** Each shareholder or proxy present at the meeting will be entitled to **only one (1) meal voucher**. Any request for the meal voucher after the conclusion of the 43rd AGM **will not be entertained**.

RECORD OF DEPOSITORS FOR ATTENDANCE AT 43RD AGM

- For the purpose of determining members who shall be entitled to attend the 43rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 2 May 2019. Only depositors whose names appear on the Record of Depositors as at 2 May 2019 shall be entitled to attend the 43rd AGM or appoint proxies to attend and/or vote on their behalf.

VOTING

- The voting at the 43rd AGM will be conducted by poll pursuant to Paragraph 8.29A of the Listing Requirements. At the meeting, the Poll Administrator will brief you on the e-polling procedures.



MMC Corporation Berhad
(Company No. 30245-H)

PROXY FORM

No. of Ordinary Share(s) held	
CDS Account No.	

I/We, _____
(FULL NAME OF SHAREHOLDERS AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

_____ of _____
(NRIC NO. / PASSPORT NO. / COMPANY NO.) (FULL ADDRESS)

being a member/members of MMC CORPORATION BERHAD hereby appoint:

Name/NRIC No./Passport 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 43rd AGM of the Company to be held at Mahkota II, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Thursday, 9 May 2019 at 10.00 a.m., and/or at any adjournments thereof, on the following resolutions referred to in the notice of the 43rd 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 2018 and the Directors' Report and Auditors' Report thereon.			
ORDINARY BUSINESS		RESOLUTION	FOR	AGAINST
2.	Payment of Directors' fees up to an amount of RM1,400,000.00 to the Non-Executive Directors (NEDs) of the Company for the period from 10 May 2019 until the conclusion of the next AGM.	Ordinary Resolution 1		
3.	Benefits payable to the Directors of the Company up to an amount of RM2,200,000.00, for the period from 10 May 2019 until the conclusion of the next AGM.	Ordinary Resolution 2		
Re-election of the following Directors who retire in accordance with Article 18.3 of the Company's Constitution				
4.	Dato' Sri Che Khalib Mohamad Noh	Ordinary Resolution 3		
5.	Dato' Siti Halimah Ismail	Ordinary Resolution 4		
6.	Syed Naqiz Shahabuddin Syed Abdul Jabbar	Ordinary Resolution 5		
7.	Re-election of Sharifah Sofia Syed Mokhtar Shah as Director of the Company in accordance with Article 18.9 of the Company's Constitution.	Ordinary Resolution 6		
8.	Re-appointment of Messrs. PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 7		
SPECIAL BUSINESS		RESOLUTION	FOR	AGAINST
9.	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 8		
10.	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 9		

* 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 _____, 2019

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, Boardroom Share Registrars Sdn Bhd (formerly known as 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(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), all resolutions set out in the Notice of 43rd AGM will be put to the vote by poll.
8. For the purpose of determining a member who shall be entitled to attend this 43rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 16.5 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 2 May 2019. Only a depositor whose name appears on the Record of Depositors as at 2 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

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To: **THE REGISTRAR**
Boardroom Share Registrars Sdn Bhd
(Formerly known as 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

MMC CORPORATION BERHAD

(30245-H)

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