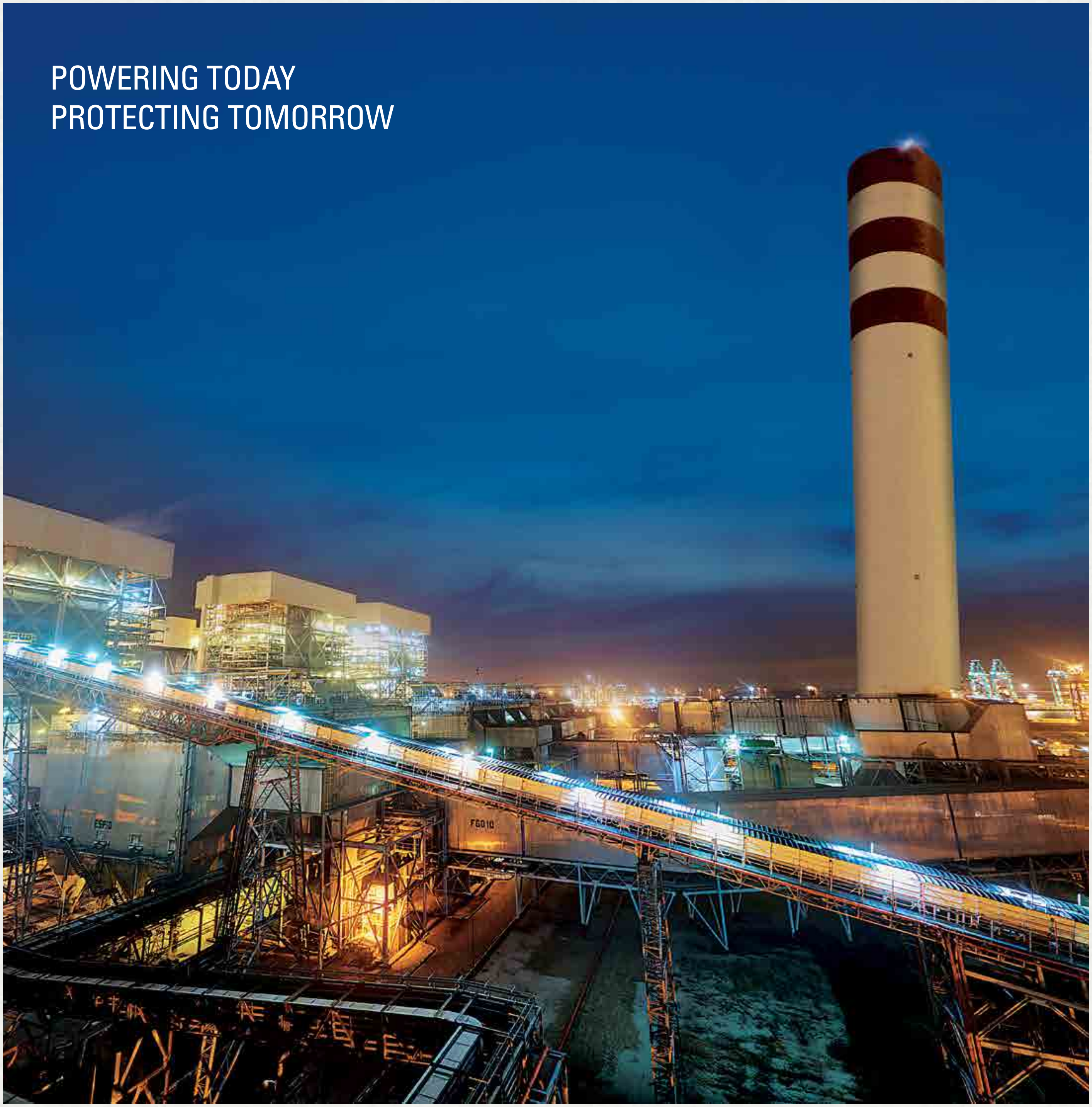

MALAKOFF CORPORATION BERHAD

Annual Report 2016

POWERING TODAY PROTECTING TOMORROW

Malakoff continues to grow from strength to strength helping power Malaysia's progress as the nation's largest IPP. With our Tanjung Bin Energy Power Plant having come online to strengthen the Tanjung Bin complex portfolio, our privately owned coal-fired power plants now account for some 38 percent of Peninsular Malaysia's total installed coal-fired generation capacity.

Moving forward, Malakoff continues to leverage on a business model that is designed to ensure sustainable growth well into the future. We are working to ensure our growth aspirations align with the country's energy needs. By diversifying our earnings base and exploring new but related areas of business such as renewable energy, water production, electricity and chilled water distribution, as well as Operation & Maintenance services opportunities, we are laying strong foundations for a brighter tomorrow for ourselves and our nation.

MALAKOFF CORPORATION BERHAD
11TH ANNUAL GENERAL MEETING

Mahkota II, Hotel Istana
73, Jalan Raja Chulan, 50200 Kuala Lumpur

DAY	DATE	TIME
WEDNESDAY	19 APRIL 2017	10.30 A.M.

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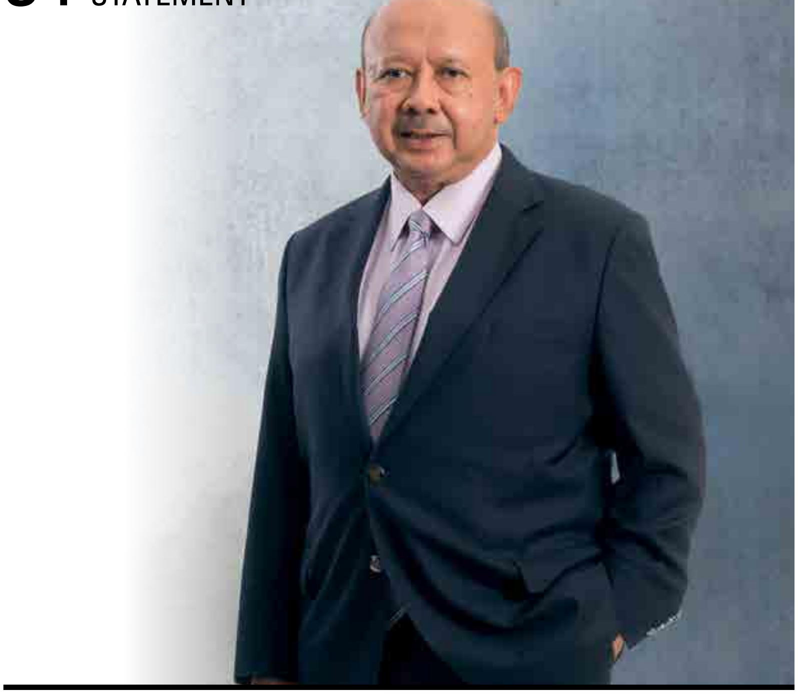

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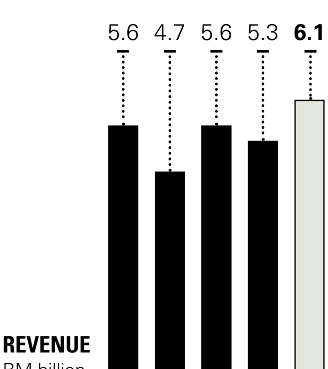

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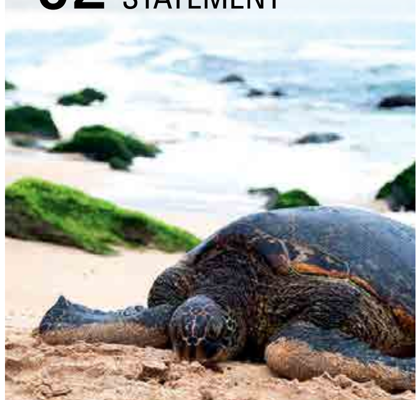

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- LICENSE TO OPERATE POWER PLANT
- FINANCIAL DISCIPLINE
- STRONG GOVERNANCE STRUCTURE

MISSION

- ASPIRING TO BECOME THE PREFERRED EMPLOYER OF CHOICE
- DELIVER SUPERIOR SHAREHOLDER VALUE
- SOUGHT AFTER AS A PARTNER
- SUSTAINING BEST IN CLASS OPERATING DISCIPLINE
- EARNING RESPECT AS A GOOD CORPORATE CITIZEN

CORPORATE VALUES

Integrity

Teamwork

Innovation

Excellence

Harmony

TAPPING OUR STRENGTH

GOAL

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As Malakoff pursues an agenda of sustainable growth, we will continue to leverage on our inherent strengths, namely good business fundamentals, a disciplined management approach, enhanced operational efficiencies and plain hard work, to deliver a solid performance.

TOTAL EFFECTIVE POWER GENERATION

7,036 MW

TOTAL EFFECTIVE WATER DESALINATION

444,800 M^3/DAY

CORPORATE OVERVIEW

MALAKOFF CORPORATION BERHAD (“Malakoff”) is an **independent power** and **water producer** based in Asia with a **world-class reputation.**

Our core businesses include **POWER GENERATION, WATER DESALINATION** and **OPERATION & MAINTENANCE SERVICES.**

In Malaysia, we own an **effective generation capacity** of **6,346 MW** comprising of 7 power plants that run on gas, oil and coal.

CORPORATE OVERVIEW

MALAKOFF'S MALAYSIAN POWER GENERATION ASSETS WITH TOTAL EFFECTIVE CAPACITY OF

6,346 MW

are held through a number of subsidiaries and an associate company:

TANJUNG BIN ENERGY POWER PLANT

100%
equity interest in
Tanjung Bin Energy Sdn Bhd
1,000 MW Power Plant

PORT DICKSON POWER PLANT

100%
equity interest in
Port Dickson Power Berhad,
via its wholly-owned subsidiary
Hypergantic Sdn Bhd
436 MW Power Plant

PRAI POWER PLANT

100%
equity interest via its wholly-owned subsidiary
Prai Power Sdn Bhd
350 MW Power Plant

SEV POWER PLANT

93.75%
equity interest in
Segari Energy Ventures Sdn Bhd
1,303 MW Power Plant

TANJUNG BIN POWER PLANT

90%
equity interest in
Tanjung Bin Power Sdn Bhd
2,100 MW Power Plant

GB3 POWER PLANT

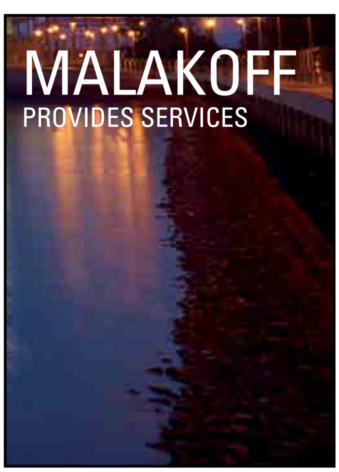
75%
equity interest in
GB3 Sdn Bhd
640 MW Power Plant

KAPAR POWER PLANT

40%
equity interest in
Kapar Energy Ventures Sdn Bhd
2,420 MW Power Plant

ON THE INTERNATIONAL FRONT, WE OWN AN EFFECTIVE CAPACITY OF **690 MW** OF POWER AND **444,800 M^3/DAY** OF WATER DESALINATION

THESE ASSETS ARE LOCATED IN **AUSTRALIA, SAUDI ARABIA, BAHRAIN, OMAN** AND **ALGERIA.**



MALAKOFF
PROVIDES SERVICES

- Operation and maintenance services through wholly-owned **Malakoff Power Berhad** and **Teknik Janakuasa Sdn Bhd**;
- Electricity distribution activities through **Malakoff Utilities Sdn Bhd**, a wholly-owned subsidiary, that currently supplies centralised chilled water and distributes electricity to the landmark Kuala Lumpur Sentral development; and
- Project management services for in-house and external projects through **Malakoff Engineering**, a wholly-owned subsidiary of Malakoff.

At Malakoff, we aim to work together with all stakeholders for productive partnerships. We believe that long-term partnerships re-enforce our success. As an asset-centered organisation, we maximise the value of assets we manage for our shareholders and partners. We do this by fully understanding the elements of cost, risk and performance unique to the environment in which we operate.

IN THE NEWS

Malakoff's 2Q net profit up 50.2%, pays 3.5 sen dividend

BY BILLY TOH

KUALA LUMPUR: Malakoff Corp Bhd's net profit rose 50.2% to RM129.63 million or 2.59 sen a share for the second quarter ended June 30, 2016 (2QFY16), from RM86.29 million or 1.9 sen a share a year ago, mainly due to insurance claims on rotor replacement and lower losses from its associates, offset by higher maintenance costs.

Revenue for 2QFY16 grew 17.8% to RM1.53 billion, from RM1.3 billion in 2QFY15, mainly due to the commencement of operation of Tanjung Bin Energy Sdn Bhd on March 21.

The group declared an interim dividend of 3.5 sen per share for FY16, payable on Oct 4.

For the first-half period (1HFY16), Malakoff saw its net profit grow 12.4% to RM213.73 million or 4.27 sen a share, from RM190.2 million or 4.69 sen a share in 1HFY15, while revenue rose 8.6% to RM2.87 billion, from RM2.64 billion.

On prospects, Malakoff anticipates the challenging environment to persist over the medium term.

"Given this challenging scenario, the group has embarked on strategic initiatives to continue to be in a position to secure growth opportunities for the future.

"In addition, the group has focused on enhancing efficiencies through its operations and hence expects the results to remain positive for FY16," it said in a filing with Bursa Malaysia yesterday.

Malakoff shares closed down one sen or 0.58% at RM1.70 yesterday, with a market capitalisation of RM8.5 billion.

Malakoff's T4 power plant now operational

TBE is Malaysia's 1st IPP project that was awarded by the EC via a competitive bidding process, says Habib

MALAKOFF Corp Bhd's 1,000MW Tanjung Bin Energy (TBE) power plant, also known as T4, commenced operations yesterday following its successful phases of construction, testing and commissioning.

TBE was given the Notice to Proceed in March 2012 and achieved its first synchronisation to the national grid on Oct 15 last year.

To date, it has completed all the required tests necessary for safe and reliable energy generation, said acting CEO Habib Husin in a statement yesterday.

"TBE is Malaysia's first IPP (independent power producer) project that was awarded by the Energy Commission (EC) via a competitive bidding process. During its development, we challenged ourselves to deliver an affordable electricity tariff to the off-taker, Tenaga Nasional Bhd (TNB), and ultimately to the consumers at large," said Habib.

Alongside the Power Purchase Agreement (PPA) signed with TNB, a Coal Supply and Transportation Agreement (CSTA) between TBE and TNB Fuel Services Sdn Bhd was also sealed.

TBE makes its generating capacity available to TNB under a 25-year PPA while the CSTA will ensure the steady and quality supply of coal to be used by the power plant.

"During testing and commissioning, we demonstrated our ability to be despatched day and night and this again demonstrates our commitment to reliably deliver the 1,000MW capacity of electricity to the national grid," added Habib.

GE Steam Power Systems is the engineering, procurement and construction contractor together with its consortium partners Mudajaya Corp Bhd and Shin Eversendai Engineering Sdn Bhd.

GE CEO Andreas Lusch said TBE is another commitment to the region's development and the need for energy mix diversification especially on coal generation.

He said the highly efficient ultra-supercritical power plant will provide an additional capacity of 1,000MW for Peninsular Malaysia, providing energy equivalent to almost two million people.

"During its construction, the project provided significant positive socio-economic development impact to the surrounding communities and the country as a whole. At its peak, more than 5,200 direct jobs were created," he said.

TBE is located on 65ha of land adjacent to Malakoff's existing 2,100MW coal-fired Tanjung Bin power plant.

Both power plants share common infrastructure such as coal-handling facilities, power evacuation, sea-water intake and other access facilities.

The operator of TBE is Malakoff Power Bhd.

TBE is financed via Malakoff's unit, Tanjung Bin Energy Issuer Bhd, with a combination of senior and junior debt facilities comprising Islamic bonds and loans denominated in ringgit and US dollars, as well as internally generated funds.

"The successful commissioning of TBE marks another significant milestone for Malakoff, increasing its multi-fuel portfolio net generating capacity in Peninsular Malaysia from 5,346MW to 6,346MW or from approximately 24% to 29% market share respectively.

"It further reaffirms Malakoff's position as the leading IPP in Malaysia," said Habib. — by R KAMALAVACINI

Operasi TBE lonjak penguasaan Malakoff

Ketua Pengeluaran, Koswadi Abdul Halim (kiri) bersama Pengurus Tanjung Bin Power Plant, Mohd Sallehuddin Abu Bakar (tengah) menunjukkan TBE di Pontian, Johor. (FOTO HAIRUL ANUAR RAHIM/BH)

» *Loji jana kuasa baharu penuhi keperluan tenaga bagi dua juta pengguna*

Oleh Zuraidah Mohamed
zmohamed@bh.com.my

Malakoff Corporation Bhd terus mengukuhkan kedudukannya sebagai pengeluar tenaga bebas (IPP) utama menerusi pengoperasian Loji Janakuasa Tanjung Bin Energy (TBE) yang bernilai RM6.7 bilion di Pontian, Johor, semalam.

TBE yang berkapasiti 1,000 megawatt (MW) itu dibangunkan di kawasan seluas 65 hektar di Kompleks Janakuasa Tanjung Bin, dan ia dijangka mampu memenuhi keperluan tenaga bagi kira-kira dua juta pengguna.

Penolong Pengarah Projek Tanjung Bin Energy Sdn Bhd, Mohd Syahrul Izwan Ismail, berkata pengoperasian loji jana kuasa terbaru itu dijangka meningkatkan penguasaan portfolio penjanaan tenaga pelbagai Malakoff di Semenanjung kepada 29 peratus daripada 24 peratus ketika ini.

Katanya, ia juga mampu meningkatkan pembekalan kapasiti bersih kumpulan dari 5,346MV kepada 6,346MV menerusi enam loji jana kuasa yang dikendalikan pada masa ini.

Sedia kapasiti tambahan

"TBE yang dijana menerusi GE Steam Power Systems itu menyediakan kapasiti tambahan 1,000MV bagi Grid Nasional yang mampu membekalkan tenaga kepada hampir dua juta pengguna di Semenanjung.

"Pengoperasian TBE ini menandakan satu lagi kejayaan kepada Malakoff, sekali gus mengukuhkan kedudukan kumpulan sebagai antara syarikat pengeluar tenaga bebas (IPP) utama di negara ini," katanya kepada pemberita selepas program taklimat dan lawatan bersama media di loji berkenaan di Pontian, Johor.

Pada masa ini, jumlah kapasiti penjanaan bersih untuk seluruh Semenanjung adalah kira-kira 22,600MW yang dihasilkan oleh Tenaga Nasional Bhd (TNB) dan IPP.

Perjanjian beli tenaga 25 tahun

Mohd Syahrul Izwan, berkata TBE yang akan membekalkan kapasiti tenaga kepada TNB menerusi perjanjian pembelian tenaga selama 25 tahun, menjadi projek IPP pertama negara yang dianugerahkan oleh Suruhanjaya Tenaga menerusi proses pembidaan.

Beliau berkata, TBE terletak bersebelahan dengan Loji Janakuasa Arang Batu Tanjung Bin (TBPP) sedia ada dengan kapasiti 2,100MV, yang berkongsi infrastruktur asas seperti kemudahan pengendalian arang batu, pemindahan tenaga serta pengambilan air laut.

Katanya, ketika projek itu dilaksanakan ia menyediakan pembangunan sosioekonomi yang positif, termasuk menyediakan peluang pekerjaan kepada rakyat negara ini antaranya bidang kejuruteraan, pembuatan dan pengangkutan.

TBE dijangka menyumbang dan meningkatkan keuntungan kumpulan itu bagi tahun kewangan berakhir 31 Disember 2016 dan pada tahun akan datang.

Warta undang-undang pulihara penyu

SITI SARA NOHD NOR

Bah (baju putih) bersama tetamu jemputan lain melepaskan penyu sebagai simbolik majlis.

SEGARI - Jabatan Perikanan dengan kerjasama Unit Perancang Ekonomi Negeri (UPEN) dijangka akan mewartakan satu undang-undang khas berkaitan pemeliharaan dan pemuliharaan penyu di Perak.

Pengarah Perikanan Negeri, Dr Bah Piyan Tan berkata, undang-undang itu yang mula dibincangkan Februari lalu masih lagi dalam beberapa proses tertentu sebelum dapat dilaksanakan.

Menurutnya, perkara itu perlu bagi memastikan haiwan yang semakin pupus itu dapat dijaga dengan baik.

"Draf undang-undang ini masih lagi dalam perbincangan di peringkat tertentu sebelum dapat dilaksanakan.

"Kita harap menjelang akhir tahun nanti ia dapat diwartakan dan seterusnya dilaksanakan," katanya ketika program Kenali Penyu, Sayangi Penyu 2015 di Pusat Konservasi dan Penetasan Penyu, Pasir Panjang di sini kelmarin.

Program anjuran Malakoff itu adalah acara tahunan yang dijalankan oleh syarikat berkenaan dan sebanyak 41 ekor penyu berusia dua tahun turut dilepaskan ke perairan.

Hadir sama Pengurus Loji Janakuasa Lumut, Mohammed Azmil Ismail.

Bah berkata, pelaksanaan undang-undang itu diharapkan dapat membantu dalam memastikan spesies penyu terus dijaga dengan baik.

"Jika kita lihat kepada jumlah pendaratan penyu sejak 14 tahun berlaku pengurangan iaitu pada tahun 2000 sebanyak 105 penyu dicatatkan mendarat berbanding hanya 57 ekor penyu sahaja pada 2014.

"Begitu juga dengan penetasan telur penyu pada tahun 2000 sebanyak 4,749 berbanding 2270 tahun 2014. Jumlah telur yang berjaya ditanam pada tahun 2000 sebanyak 11,350 manakala 2014 sebanyak 5,329 sahaja," katanya.

Katanya, melalui undang-undang yang bakal dilaksanakan itu diharapkan dapat membantu menambah semula populasi haiwan terancam itu.

"Kita juga ada bantuan dari nelayan-nelayan yang dilantik sebagai sukarelawan perikanan untuk memberi bantuan kepada penyu-penyu yang sakit di mana mereka akan membawa penyu itu kepada pihak kami.

"Begitu juga jika mereka menjumpai telur-telur penyu, ia harus diserahkan kepada pusat konservasi ini," katanya.

Malakoff's Tanjung Bin Energy plant achieves commercial operation

BY BILLY TOH

An aerial view of the Tanjung Bin Energy Power Plant.

KUALA LUMPUR: Malakoff Corp Bhd's 1,000MW ultra-supercritical, coal-fired power plant (T4 Plant), located in Tanjung Bin, Mukim Serkat, Johor, achieved its commercial operation date (COD) yesterday.

With that, the total net effective generation capacity of the Malakoff group in Malaysia has increased from 5,346MW to 6,346 MW, said Malakoff in a bourse filing.

The T4 Plant was developed by Tanjung Bin Energy Sdn Bhd (TBE), a wholly-owned subsidiary of Malakoff. Tanjung Bin has a 25-year power purchase agreement (PPA) with Tenaga Nasional Bhd (TNB), effective from the COD of the T4 Plant.

"It expected that TBE will contribute and enhance the profitability of Malakoff for the financial year ending Dec 31, 2016 and thereafter," added Malakoff.

In a separate statement, Malakoff said TBE is Malaysia's first independent power producer (IPP) project awarded by the Energy Commission via a competitive bidding process.

"Alongside the PPA signed with TNB, a coal supply and transportation agreement (CSTA) between TBE and TNB Fuel Services Sdn Bhd was also sealed. TBE has made its generating capacity available under the 25-year PPA, whilst the CSTA will ensure the steady and quality supply of coal to be used by the power plant," said Malakoff acting chief executive Habib Husin.

GE Steam Power Systems undertook the engineering, procurement and construction of the plant, which commenced construction in March 2012 and was completed on schedule in four years, together with its consortium partners Mudajaya Corp Bhd and Shin Eversendai Engineering (M) Sdn Bhd, in a contract worth globally over €1 billion.

T4 is located on a 65ha plot adjacent to Malakoff's existing 2,100MW coal-fired Tanjung Bin Energy Power Plant. Both power plants share common infrastructure, such as coal handling facilities, power evacuation, seawater intake and other access facilities.

Malakoff, with core focuses on power generation, water desalination, and operation and maintenance services, is Malaysia's largest IPP. Its shares closed unchanged at RM1.60 yesterday, valuing it at RM8 billion.

Malakoff chairman Tan Sri Syed Anwar Jamalullail (centre) with acting chief executive officer Habib Husin (right) and executive vice-president (corporate) Shaharul Fares Hassan at the annual general meeting in Kuala Lumpur yesterday. Pic by Surianie Mohd Hanif

Malakoff sets aside RM900m capex for capacity expansion

AMIR HISYAM RASID

KUALA LUMPUR: Independent power producer Malakoff Corp Bhd has allocated RM900 million in capital expenditure (capex) this year to fund the expansion of its power generation and water production capacity.

The group plans to increase its power generation to 10,000 megawatt and water production to 672,000 cubic metres per day by 2030.

Its acting chief executive officer Habib Husin said this would involve setting up new plants, acquiring other existing plants as well as expansion.

"The capex allocation is about RM900 million this year to fund our expansion plans. Out of this, RM700 million is associated to the balance of the capex for the new Tanjung Bin Energy plant.

"We have abundant land bank in strategic locations where our power plants are located, so there are opportunities for repowering and expansion domestically.

"We are also looking at opportunities in developed markets as well as the Middle Eastern and North African regions," Habib said at a press conference after Malakoff's annual general meeting, here, yesterday.

Malakoff chairman Tan Sri Syed Anwar Jamalullail said the group's gearing was still low, which would enable it to take more funding for the capex.

Its gross and net gearings stood at 2.9 and 2.1 times, respectively.

Habib said the group expected to maintain the same level performance as last year's. "This is in terms of meeting the obligations under the power purchase agreement (PPA). We are confident as we have a good and experienced team on board," he added.

For 2015, Malakoff recorded a net profit of RM453.2 million compared with RM440.3 million in 2014 due to higher contribution from Tanjung Bin Power, lower finance costs and higher interest income.

Syed Anwar said Malakoff's key achievements last year included listing on the Main Market of Bursa Malaysia and obtaining a three-year PPA extension for its Port Dickson

Azhar Abdul Hamid is Malakoff's new group MD

BY CHEN SHAUA FUI

KUALA LUMPUR: Malakoff Corp Bhd, a subsidiary of MMC Corp Bhd, announced that Datuk Wira Azhar Abdul Hamid had been appointed its new group managing director (MD), effective yesterday.

The appointment follows the resignation of Datuk Seri Syed Faisal Albar as chief executive in December 2015.

Azhar is now the chairman of Tradewinds Corp Bhd, after he relinquished his position as the president/group MD, Malakoff said in a statement. Prior to that, he was with Mass Rapid Transit Corp Sdn Bhd as its chief executive officer from 2011 until 2014.

Currently, he also holds directorships in ICON Offshore Bhd, Hume Industries Bhd, Hong Leong Bank Bhd and Tradewinds. Azhar is also a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Malakoff closed flat at RM1.64 yesterday, with a market capitalisation of RM8.2 billion.

马拉卡 T4 发电厂投运 可供电国能 200 万用户

报道：康辉萍

（峇珍21日讯）马拉卡（MALAKOF，5264，主板贸服）耗资约67亿令吉兴建的柔佛丹绒宾能源（TBE）1000兆瓦煤炭发电厂第四单位（T4），今天获得商业营运日期（COD），于今天午夜12时已正式投入运作，供电给国家能源（TENAGA，5347，主板贸易服务）使用。

随着该发电厂正式投入商业运作后，该公司与国能签署的25年电力买卖协议，也从今日起生效，而发电厂同一时间可供电给国能200万用户使用。

马拉卡集团项目助理董事依祖安说，该公司的发电厂遍布巴生、槟城、霹雳，而位于柔佛丹绒宾能源1000兆瓦煤炭发电厂第四单位（T4），是该公司第六座发电厂。

产能增至6346兆瓦

他说，该公司于2011年6月获颁发电厂建设工程，占地65公顷的整个发电厂（包括T1至T4），于隔年3月展开建设，直到去年10月15日进入运作测试阶段。

他说，随着第六座发电厂投入运作后，该公司在全马的总净实际发电产能，也从5346兆瓦提高至6346兆瓦。

丹绒宾目前整体共有4个单位已全面运作，今天该公司安排媒体参观第四单位发电厂的运作，依祖安是在记者会上透露上述详情。

依祖安指出，该公司在第四单位发电厂的持股是100%，毗邻的其余3座发电厂，雇员公积金局（EPF）则持股10%。

该项T4发电厂，是由马拉卡独资子公司丹绒宾能源（Tanjung Bin Energy）发展。

马拉卡集团带领媒体参观首日投入商业运作的丹绒宾能源（TBE）1000兆瓦煤炭发电厂。

每小时消耗 460 吨煤炭

该公司职员在导览时披露，丹绒宾能源发电厂每小时需消耗460吨的煤炭，这些煤炭都是从南非、澳洲、印尼、俄罗斯进口。

该导览员也说，早上10时至下午5时，是工厂及办公室用电的高峰期；晚上7时至9时则是住家用电的高峰期，至于晚上10时至隔天早上7时，用电量则处于低峰期。

根据该公司文告，马拉卡预计丹绒宾能源，能加强截至12月31日的2016年财年和之后的盈利表现。

Stesen TBE tambah kapasiti 1,000MW ke sistem grid nasional

MALAKOFF

PONTIAN – Malakoff Corporation Bhd. (Malakoff) dijangka meningkatkan penguasaan pasaran kapasiti penjanaan bersih portfolio pelbagai bahan apinya di Semenanjung Malaysia kepada 29 peratus berbanding 24 peratus sekarang.

Ia dicapai menerusi pentauliahan stesen tenaga Tanjung Bin Energy Sdn. Bhd. (TBE) yang mula beroperasi pada tengah malam kelmarin.

Penolong Pengarah Projek TBE, Mohd. Syahrul Izwan Ismail **(gambar kecil)** berkata, pelaksanaan stesen bernilai RM6.7 bilion itu akan meningkatkan kapasiti penjanaan bersih syarikat daripada 5,346 megawatt (MW) kepada 6,346 MW daripada enam stesen tenaga di seluruh negara.

"Stesen yang dikuasakan menerusi tenaga stim ini menyediakan kapasiti tambahan 1,000MW bagi grid nasional yang mampu membekalkan tenaga kepada kira-kira dua juta pengguna di Semenanjung Malaysia," katanya.

Beliau berkata demikian kepada pemberita selepas lawatan media ke TBE di sini semalam.

Pada ketika ini, jumlah kapasiti penjanaan bersih bagi seluruh Semenanjung Malaysia adalah kira-kira 22,600 MW yang dihasilkan Tenaga Nasional Bhd. (TNB) dan pengeluar tenaga bebas (IPP).

Mohd. Syahrul berkata, TBE yang akan menyerahkan kapasiti penjanaan kepada TNB di bawah perjanjian belian tenaga selama 25 tahun, adalah projek IPP pertama di Malaysia yang dianugerahkan Suruhanjaya Tenaga melalui proses pembidaan yang kompetitif.

Stesen jana kuasa tenaga tersebut terletak di atas tanah seluas 65 hektar dan bersebelahan dengan Stesen Tenaga Tanjung Bin 2,100 MW yang dijana arang batu.

STESEN jana kuasa TBE terletak bersebelahan dengan Stesen Tenaga Tanjung Bin 2,100 MW di Pontian, Johor.

Penyu mendarat di Segari

Pusat Konservasi dan Penerangan Penyu diwujudkan bagi memulihara spesies itu

Pusat Konservasi dan Penerangan Penyu Pantai Pasir Panjang, Segari yang dibuka sejak 1990 merupakan kawasan pendaratan penyu utama di Perak.

MOHD KHALIL

KASIM

INFO

- Lokasi Pusat Konservasi dan Penerangan Penyu, Pantai Pasir Panjang, Segari
- Jenis penyu mendarat Penyu Agar dan Penyu Lipas

Pusat semakin dikenali

Pantai Pasir Panjang pilihan penyu

Kemudahan akan ditambah baik

Malakoff terima projek Loji Solar Fotovoltaik

KUALA LUMPUR 21 Dis. – Malakoff Corporation Bhd. (MCB) dan DRB-Hicom Environmental Services Sdn. Bhd. (DHES) menerima surat tawaran daripada kerajaan untuk mengambil alih pembinaan dan pembangunan projek Loji Solar Fotovoltaik Berskala Besar 50MWac di Tanjung Malim, Perak.

MCB dalam kenyataannya kepada Bursa Malaysia memberitahu, pembangunan di kawasan seluas kira-kira 80.93 hektar itu dilaksanakan melalui konsortium antara MCB dan DHES dengan pegangan ekuiti masing-masing 51 dan 49 peratus.

Jelasnya, konsortium tersebut telah melalui proses pembidaan yang kompetitif bagi mendapatkan projek tersebut dan menghantar bidaan pada 15 September lalu.

MALAKOFF

"Suruhanjaya Tenaga (EC) menerima tawaran yang dibuat dalam bidaan tersebut dan memilih konsortium terbabit sebagai pembida senarai pendek.

"Surat rasmi bagi penganugerahan projek tersebut akan dikeluarkan apabila mendapat pengesahan bahawa konsortium terbabit menepati syarat-syarat dalam surat penerimaan seperti berdaftar dengan Suruhanjaya Syarikat Malaysia, syarat-syarat berkaitan projek terbabit dan mendapat pengesahan daripada pihak berkuasa berkaitan pembangunan dan operasi projek tersebut," jelas kenyataan itu hari ini.

Sementara itu, MCB memberitahu, projek tersebut meliputi pembiayaan, reka bentuk, pembekal, membina, memiliki, mengendali dan menyelenggara loji tersebut.

Kerja-kerja itu dibuat berasaskan sistem bina, miliki dan kendali dengan tarikh operasi komersial dijangka pada 1 Julai 2018 untuk tempoh 21 tahun di bawah kuasa perjanjian pembelian.

Menurut MCB, projek terbabit dijangka tidak memberi sebarang kesan kepada pendapatan dan aset bersih MCB Group bagi tahun kewangan berakhir 31 Disember ini.

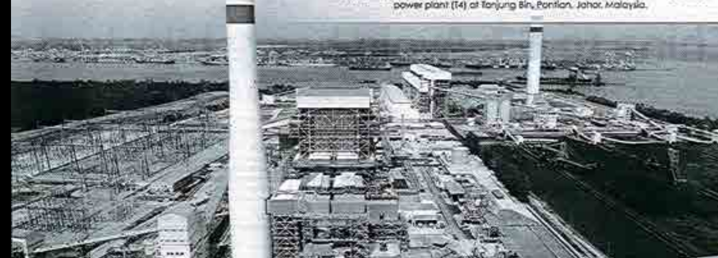
Dalam pada itu, MCB memaklumkan, pihaknya akan membuat pengumuman apabila terdapat perkembangan penting mengenai projek terbabit.

CONGRATULATIONS

MALAKOFF

A Member of MMC Group

And its wholly-owned subsidiary, Tanjung Bin Energy Sdn Bhd, for successfully achieving the Commercial Operation Date (COD) and for taking over the 1,000MW coal-fired power plant (T4) at Tanjung Bin, Pontian, Johor, Malaysia.



EVERSENDAI

Towering – Powering – Energising – Innovating

Eversendai was responsible for all the mechanical and structural erection works for this 1000MW coal-fired power plant.

Malakoff tubuh konsortium dengan DHES

KUALA LUMPUR – Malakoff Corporation Bhd. (Malakoff) dan DRB-Hicom Environmental Services Sdn. Bhd. (DHES) memperoleh projek kerajaan bagi pembinaan dan pembangunan loji janakuasa fotovoltan solar 50 megawatt (MW) di Tanjung Malim, Perak.

Projek itu sedang dilaksanakan menerusi sebuah konsortium yang melibatkan Malakoff dan DHES dengan masing-masing memegang kepentingan 51 peratus dan 49 peratus.

Malakoff dalam kenyataan kepada Bursa Malaysia berkata, jangkaan tarikh operasi komersial projek itu adalah pada 1 Julai 2018 di bawah perjanjian pembelian kuasa selama 21 tahun," katanya di sini semalam.

Menurutnya, projek itu tidak dijangka memberi kesan ketara kepada pendapatan dan aset bersih Kumpulan atau Malakoff Corporation Bhd. bagi tahun kewangan yang berakhir pada 31 Disember 2016.

– Bernama

Malakoff keen on renewable energy

> Power firm allocates RM900m capex for 2016

BY LEE WENG KHUEN
sunbiz@thesundaily.com

KUALA LUMPUR: Malakoff Corp Bhd, which has allocated RM900 million in capital expenditure (capex) for 2016, is looking for more opportunities in the renewable energy segment, as part of its plans to meet its target power generation capacity of 10,000MW by 2020.

"There are opportunities in solar ... there's supposed to be an additional 200MW per year from now until 2020. So domestically for this year, that is the main opportunity," executive vice-president of corporate Shaharul Farez Hassan told a press conference here yesterday after the company's AGM.

Besides that, the independent power producer is on the lookout to own more power plants, both locally and abroad, including the Philippines, Indonesia, the Middle East and Africa.

"We've abundance of land where our power plants are located in strategic locations, so we have opportunity in repowering and expansion. We are ready and will be able to give competitive tariffs," acting CEO Habib Husin said.

Chairman Tan Sri Syed Anwar Jamalullail said Malakoff will announce its new CEO in two months' time, following the departure of Datuk Seri Syed Faisal Albar Syed A.R. Albar last December.

As for the capex of RM900 million for 2016, Shaharul said RM700 million will be used on the new 1,000MW Tanjung Bin Energy power plant, which is expected to contribute RM500 million in earnings before interest, taxes, depreciation and amortisation (ebitda).

Given the low gearing of 2.9 times, Habib noted Malakoff still has room to raise funds for future expansion, including acquisition plans.

Habib is optimistic that Malakoff will be able to maintain its steady financial performance in 2016.

"We expect to maintain the same level of performance in meeting obligations and power purchase agreements, we're optimistic and confident that we've a good team on board," he said.

Malakoff reported a 32.7% increase in net profit to RM453.2 million in 2015 compared with RM341.5 million in 2014 on higher contribution from Tanjung Bin Power, lower finance costs and higher interest income. It has a net generating capacity of 6,346MW from its seven power plants in Malaysia, which contribute 90% of the company's total revenue.

Malakoff's overseas power and water business are in Saudi Arabia, Algeria, Bahrain, Oman and Australia, with an effective capacity of 690MW of power and 444,800 cubic metres per day of water desalination.

Pendapatan suku ketiga Malakoff RM1.51 bilion

- Peningkatan 18 peratus disumbang perolehan Tanjung Bin Energy

AWARDS AND ACCOLADES

TOP PLANT AWARD 2016

Malakoff's coal-fired Tanjung Bin Energy Power Plant won the **Top Plant Award 2016** awarded by POWER magazine. TBE features ultra-supercritical technology, which provides the most current and efficient coal combustion technology.

MNS APPRECIATION AWARD 2016

Malakoff received an environmental recognition from the Malaysian Nature Society in conjunction with its **75th Anniversary** on 12th March 2016.

Malakoff is recognised for its dedicated environmental preservation and community engagement efforts to ensure Mother Nature continues to strive.

CORPORATE INFORMATION

DIRECTORS

Y.A.M. TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Independent Non-Executive Chairman

DATUK WIRA AZHAR BIN ABDUL HAMID
Group Managing Director

DATO' SRI CHE KHALIB BIN MOHAMAD NOH
Non-Independent Non-Executive Director

DATUK MUHAMAD NOOR BIN HAMID
Non-Independent Non-Executive Director

CINDY TAN LER CHIN
Non-Independent Non-Executive Director

DATO' WAN KAMARUZAMAN BIN WAN AHMAD
Non-Independent Non-Executive Director

DATUK OOI TEIK HUAT
Non-Independent Non-Executive Director

TAN SRI DATO' SERI ALAUDDIN BIN DATO' MD SHERIFF
Independent Non-Executive Director

DATUK IDRIS BIN ABDULLAH
Independent Non-Executive Director

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR
Independent Non-Executive Director

KOHEI HIRAO
Non-Independent Non-Executive Director

ZALMAN BIN ISMAIL
Alternate to Dato' Wan Kamaruzaman bin Wan Ahmad

COMPANY SECRETARIES

YEOH SOO MEI (MAICSA 7032259)

NISHAM @ ABU BAKAR BIN AHMAD (MAICSA 7043879)

BOARD AUDIT COMMITTEE MEMBERS

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR
Chairman

DATUK IDRIS BIN ABDULLAH

TAN SRI DATO' SERI ALAUDDIN BIN DATO' MD SHERIFF

DATUK OOI TEIK HUAT

BOARD NOMINATION AND REMUNERATION COMMITTEE MEMBERS

Y.A.M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR

DATUK IDRIS BIN ABDULLAH

DATUK MUHAMAD NOOR BIN HAMID

BOARD RISK AND INVESTMENT COMMITTEE MEMBERS

DATUK IDRIS BIN ABDULLAH
Chairman

DATUK MUHAMAD NOOR BIN HAMID

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR

CINDY TAN LER CHIN

BOARD PROCUREMENT COMMITTEE MEMBERS

DATUK MUHAMAD NOOR BIN HAMID
Chairman

TAN SRI DATO' SERI ALAUDDIN BIN DATO' MD SHERIFF

DATUK OOI TEIK HUAT

CINDY TAN LER CHIN

REGISTERED OFFICE

Level 12, Block 4, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : +603-2263 3388
Fax : +603-2263 3333

AUDITORS

KPMG PLT
(converted from a conventional partnership, KPMG, on 27 December 2016)

Level 10, KPMG Tower
No. 8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

SHARE REGISTRARS

SYMPHONY SHARE REGISTRARS SDN BHD
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7849 0777
Fax : +603-7841 8151/52

THE ADMINISTRATION AND POLLING AGENT

BOARDROOM CORPORATE SERVICES (KL) SDN BHD
Lot 6.05, Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan
Tel : +603-7720 1188
Fax : +603-7720 1111

PRINCIPAL BANKS

CIMB BANK BERHAD

MALAYAN BANKING BERHAD

RHB BANK BERHAD

MIZUHO BANK, LTD.

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

SUMITOMO MITSUI BANKING CORPORATION

COMPANY ADDRESS

Level 7, Block 4, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : +603-2263 3388
Fax : +603-2263 3333
Website : www.malakoff.com.my

MALAKOFF'S STRUCTURE

AS AT 23 FEBRUARY 2017

POWER GENERATION

- **93.75%** Segari Energy Ventures Sdn Bhd
- **75%** GB3 Sdn Bhd
- **100%** Prai Power Sdn Bhd
- **90%** Tanjung Bin Power Sdn Bhd
- **40%** Kapar Energy Ventures Sdn Bhd
- **100%** Hypergantic Sdn Bhd
  - **100%** Port Dickson Power Berhad
- **100%** Tanjung Bin Energy Sdn Bhd
  - **100%** Tanjung Bin Energy Issuer Berhad

OPERATION AND MAINTENANCE SERVICES

- **100%** Malakoff Power Berhad
  - **100%** Tanjung Bin O&M Berhad
  - **100%** PDP O&M Sdn Bhd
- **100%** Teknik Janakuasa Sdn Bhd
  - **100%** Natural Analysis Sdn Bhd
  - **100%** TJSB Services Sdn Bhd
  - **100%** TJSB International Limited
    - **100%** TJSB International (Shoaiba) Limited
      - **20%** Saudi-Malaysia Operation & Maintenance Services Company Limited
      - **20%** Al-Imtiaz Operation & Maintenance Company Limited
    - **100%** TJSB Middle East Limited
    - **31.5%** Muscat City Desalination Operation and Maintenance Company LLC
  - **100%** TJSB Global Sdn Bhd
    - **49%** Hyflux-TJSB Algeria SPA
  - **95%** PT. Teknik Janakuasa

PROJECT MANAGEMENT

- **100%** Malakoff Engineering Sdn Bhd
  - **100%** MESB Project Management Sdn Bhd

OTHERS

- **100%** Tuah Utama Sdn Bhd
  - **20%** Lekir Bulk Terminal Sdn Bhd
- **54%** Desa Kilat Sdn Bhd
- **100%** Malakoff R&D Sdn Bhd

MALAKOFF'S STRUCTURE AS AT 23 FEBRUARY 2017

ELECTRICITY DISTRIBUTION

- **100%** Malakoff Utilities Sdn Bhd

OFFSHORE

- **100%** Spring Assets Limited [I]
- **100%** Malakoff Capital (L) Ltd [I]
- **100%** Malakoff International Limited ("MIL")
  - **100%** Malakoff Hidd Holding Company Limited [VI]
    - **57.14%** Malakoff Summit Hidd Holding Company Limited [VI]
      - **40%** Hidd Power Company B.S.C (c) ("HPC") [VI]
  - **100%** Malakoff AlDjazair Desal Sdn Bhd ("MADSB")
    - **70%** Tlemcen Desalination Investment Company SAS ("TDIC")
      - **35.7%** Almiyah Attilemcania SPA ("AAS") [V]
  - **100%** Pacific Goldtree Sdn Bhd
    - **100%** Skyfirst Power Sdn Bhd
      - **100%** Wind Macarthur Holdings (T) Pty. Limited
        - **100%** Wind Macarthur (T) Pty. Limited
          - **100%** Wind Macarthur Finco Pty. Limited
      - **100%** Malakoff Australia Pty. Ltd.
        - **100%** Malakoff Holdings Pty. Ltd.
          - **100%** Malakoff Wind Macarthur Holdings Pty. Limited
            - **100%** Malakoff Wind Macarthur Pty. Limited ("MWM") [VII]
  - **100%** Malakoff Gulf Limited ("MGL")
    - **40%** Malaysian Shoaiba Consortium Sdn Bhd ("MSCSB")
      - **20%** Saudi-Malaysia Water & Electricity Company Limited ("SAMAWEC") [II]
        - **12%** Shuaibah Water & Electricity Company Limited ("SWEC") [II]
        - **12%** Shuaibah Expansion Holding Company Limited ("SEHCO") [III]
          - **11.7%** Shuaibah Expansion Project Company Limited ("SEPCO") [III]
        - **0.2%** Shuaibah Expansion Project Company Limited ("SEPCO") [III]
  - **100%** Malakoff Technical (Dhofar) Limited
    - **43.48%** Oman Technical Partners Limited ("OTPL") [IV]
      - **43.48%** Salalah Power Holdings Limited ("SPHL") [IV]
  - **100%** Malakoff Oman Desalination Company Limited
    - **45%** Muscat City Desalination Company S.A.O.C

I Dormant

II Malakoff's effective equity interest of 20 percent and 12 percent in SAMAWEC and SWEC respectively is held via MGL which holds 40 percent equity interest in MSCSB which in turn holds 50 percent equity interest in SAMAWEC. SAMAWEC holds 60 percent equity interest in SWEC.

III Malakoff's effective equity interest of 11.9 percent in SEPCO is held via MGL which holds 40 percent equity interest in MSCSB which in turn holds 50 percent equity interest in SAMAWEC. SAMAWEC holds 60 percent in SEHCO which in turn holds 97.5 percent equity interest in SEPCO. SAMAWEC also holds a direct equity interest of 1 percent in SEPCO.

IV Malakoff's effective equity interest of 43.48 percent in SPHL is held via Malakoff Technical (Dhofar) Limited which holds a direct 43.48 percent equity interest in OTPL which in turn holds 100 percent equity interest in SPHL.

V Malakoff's effective equity interest of 35.7 percent in AAS is held via MADSB which holds 70 percent equity interest in TDIC which in turn holds 51 percent equity interest in AAS.

VI Malakoff's effective interest of 40 percent in HPC is held via MHHCL which holds 57.14 percent equity interest in MSHHCL which in turn holds 70 percent equity interest in HPC.

VII MWM holds 50 percent participating interest in the unincorporated joint venture of the Macarthur Wind Farm.

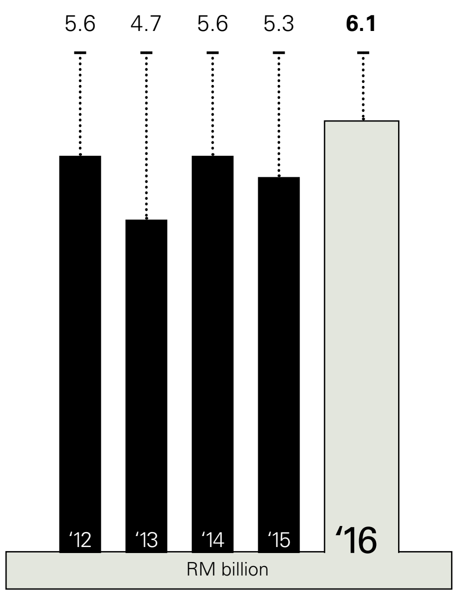
FINANCIAL STATISTICS

	Group		Company	
	2016 RM '000	2015 RM '000	2016 RM '000	2015 RM '000
Operating Results				
Revenue	6,098,420	5,301,987	362,136	286,231
Earnings before interest, taxes, depreciation and amortisation	2,871,278	2,480,115	272,716	200,147
Profit before tax	637,541	701,191	263,041	178,096
Net profit attributable to owners of the company (PATMI)	355,463	452,385	248,458	159,194
Key Balance Sheet Items				
Property, plant and equipment	14,604,469	15,059,639	39,254	43,168
Cash and cash equivalents	3,006,802	2,853,346	320,490	313,135
Other investments (deposit placements with more than three months maturity)	1,403,801	629,241	-	-
Total assets	30,263,536	29,587,909	10,950,768	10,871,343
Total borrowings	17,536,848	17,347,608	-	-
Total liabilities	24,132,241	23,607,791	1,340,172	1,228,995
Share capital	500,000	500,000	500,000	500,000
Retained profit	112,335	35,276	3,917,541	3,949,293
Shareholders' equity	5,915,712	5,765,114	9,610,596	9,642,348
Share information				
Basic earnings per share [1] (sen)	7.11	9.98		
Diluted earnings per share [2] (sen)	7.11	9.76		
Dividend (sen)	7.00[3]	7.00[4]		
Net assets per share [5] (sen)	1.18	1.15		
Financial Ratios				
Return on assets (%)	1.17	1.53		
Return on equity (%)	6.01	7.85		
EBITDA margin (%)	47.08	46.78		

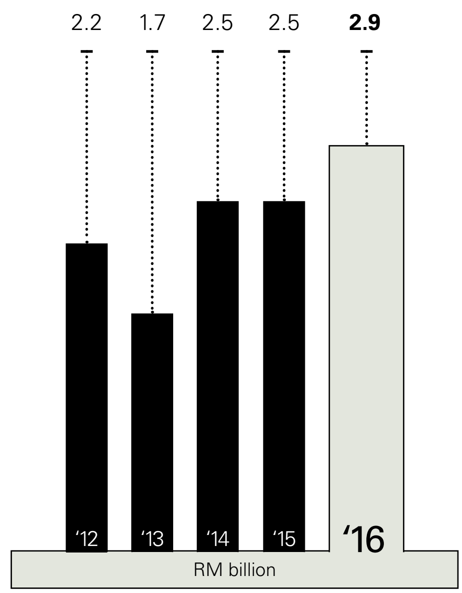
1 Based on weighted average number of ordinary shares of 5,000,000,000 and 4,531,422,000 respectively.
2 Based on weightage average number of ordinary shares of 5,000,000,000 and 4,635,616,000 respectively.
3 Based on interim dividend paid of 3.5 sen and proposed final dividend of 3.5 sen for dividend payment in respect of financial year ended 31 December 2016.
4 Based on interim dividend paid of 5 sen and final dividend of 2 sen for dividend payment in respect of financial year ended 31 December 2015.
5 Based on number of ordinary shares of 5,000,000,000.

FINANCIAL STATISTICS

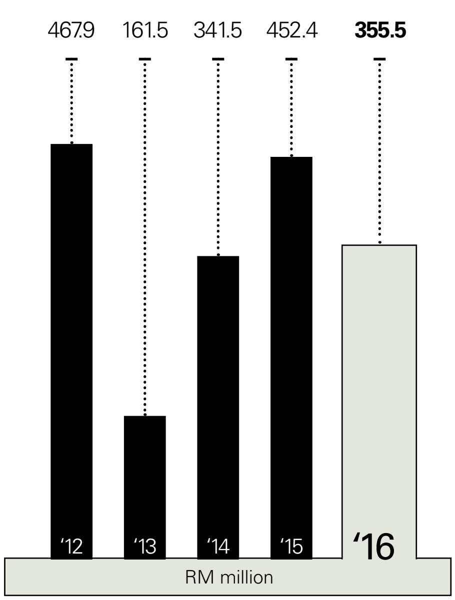
REVENUE



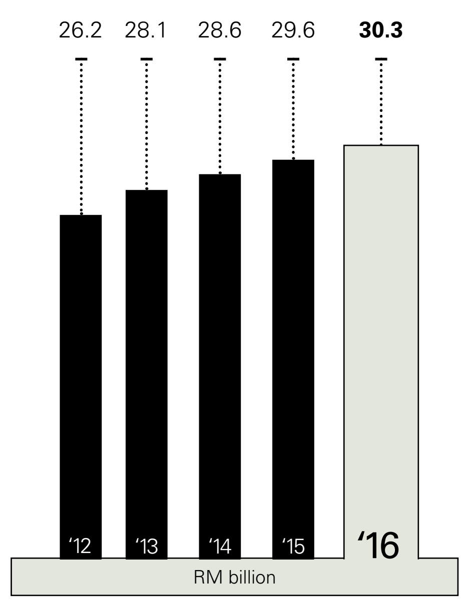
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION



PROFIT AFTER TAX AND MINORITY INTEREST

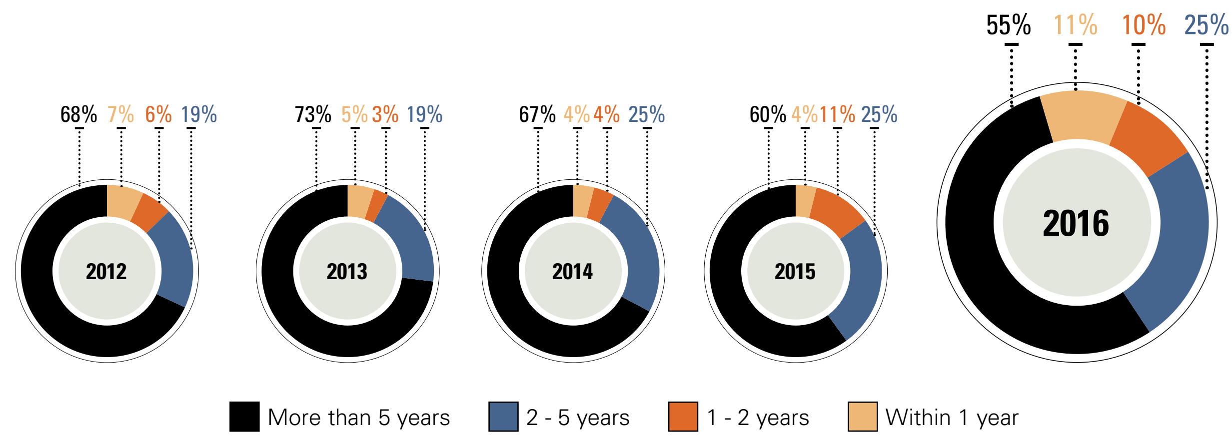


TOTAL ASSETS

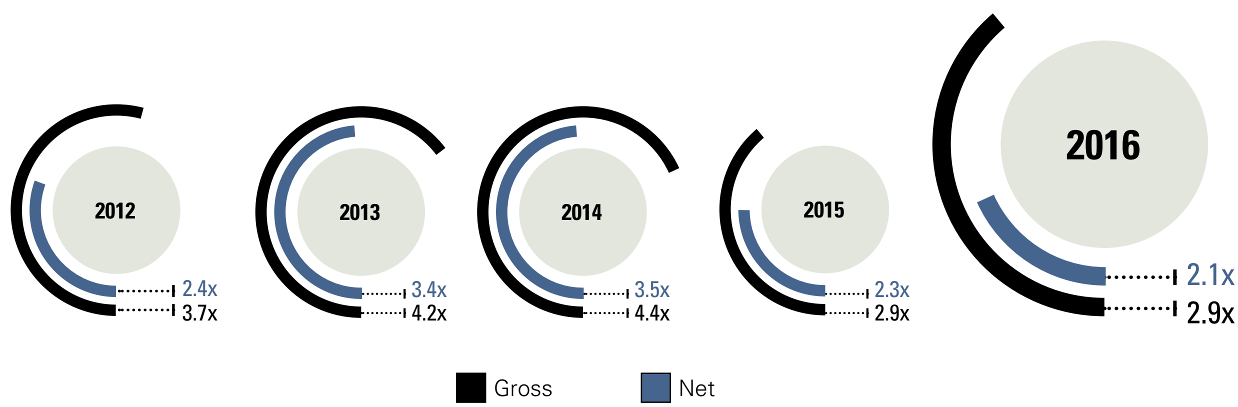


FINANCIAL STATISTIC

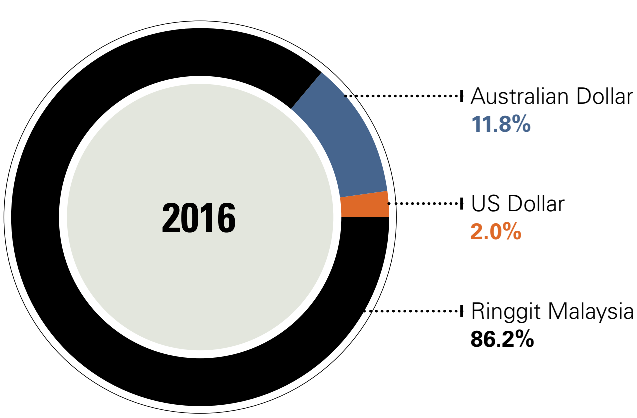
DEBT MATURITY



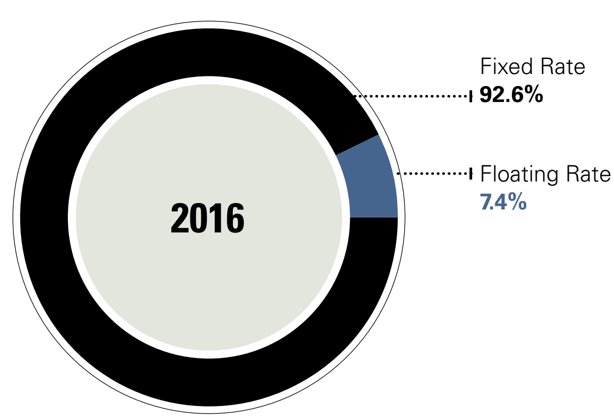
GEARING RATIO



DEBT PROFILE BY FOREIGN CURRENCY



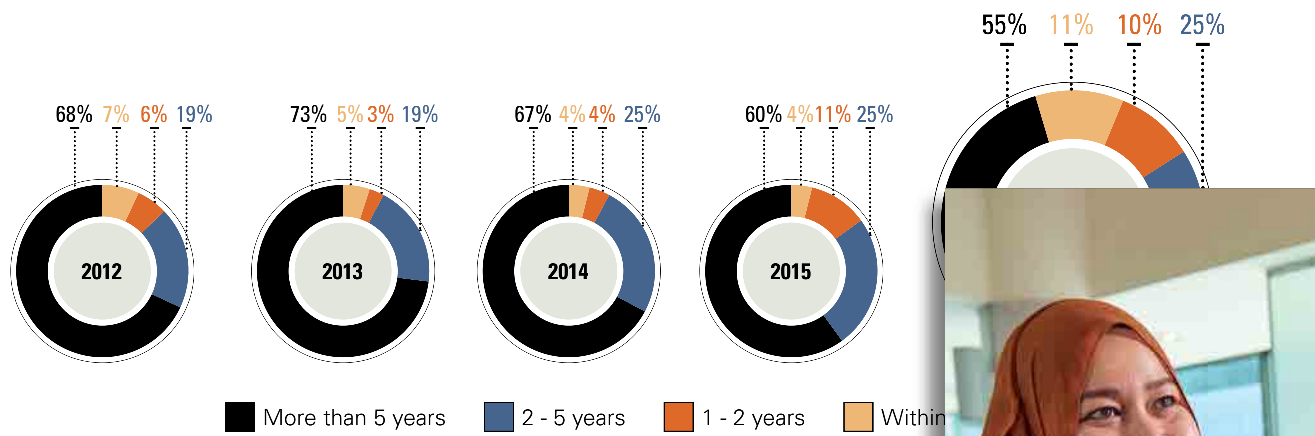
DEBT PROFILE BY INTEREST RATE TERMS



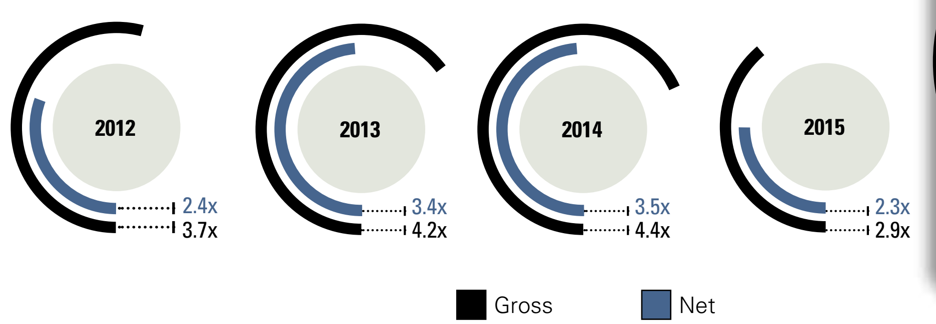
UNLOCKING OUR POTENTIAL

FINANCIAL STATISTIC

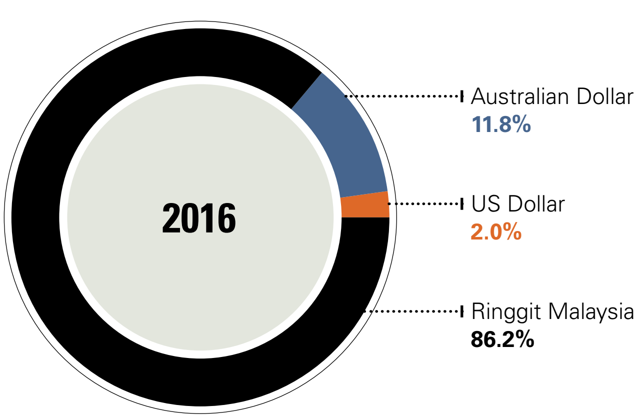
DEBT MATURITY



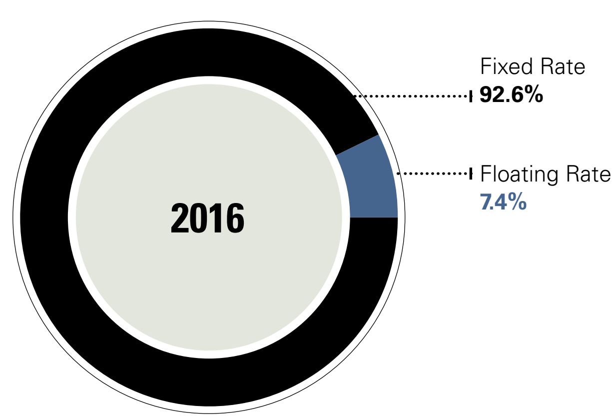
GEARING RATIO



DEBT PROFILE BY FOREIGN CURRENCY



DEBT PROFILE BY INTEREST RATE TERMS



To unlock the full potential of the Group's businesses, we continue to maintain a focus on improving operational efficiencies and driving profitability through prudent financial management and cost control initiatives. At the same time, we continue to nurture and enhance the skills and expertise of our people so that we become a workforce to be reckoned with.

GROUP REVENUE
RM6,098.4 MILLION
increased from RM5,302.0 million in FY2015

THE GROUP'S OTHER INVESTMENTS AND CASH AND CASH EQUIVALENTS INCREASED TO
RM4,410.6 MILLION
from RM3,482.6 million as at 31 December 2015

BOARD OF DIRECTORS

Seated from left to right:

DATO' WAN KAMARUZAMAN BIN WAN AHMAD
Non-Independent Non-Executive Director

CINDY TAN LER CHIN
Non-Independent Non-Executive Director

DATUK WIRA AZHAR ABDUL HAMID
Group Managing Director

Y.A.M. TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Independent Non-Executive Chairman

TAN SRI DATO' SERI ALAUDDIN BIN DATO' MD SHERIFF
Independent Non-Executive Director

BOARD OF DIRECTORS

Standing from left to right:

NISHAM @ ABU BAKAR BIN AHMAD
Company Secretary

DATUK DR. SYED MUHAMAD BIN SYED ABDUL KADIR
Independent Non-Executive Director

DATUK MUHAMAD NOOR BIN HAMID
Non-Independent Non-Executive Director

KOHEI HIRAO
Non-Independent Non-Executive Director

ZALMAN BIN ISMAIL
Alternate to Dato' Wan Kamaruzaman bin Wan Ahmad

DATUK IDRIS BIN ABDULLAH
Independent Non-Executive Director

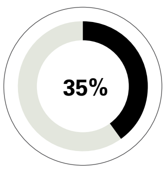
DATUK OOI TEIK HUAT
Non-Independent Non-Executive Director

DATO' SRI CHE KHALIB BIN MOHAMAD NOH
Non-Independent Non-Executive Director

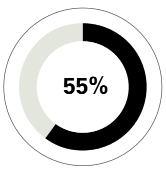
YEOH SOO MEI
Company Secretary

BOARD OF DIRECTORS' PROFILE

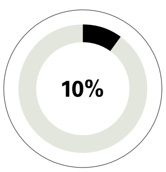
BOARD BALANCE AND COMPOSITION



INDEPENDENT NON-EXECUTIVE DIRECTORS (including the Chairman)

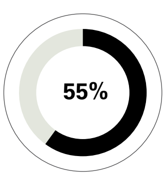


NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

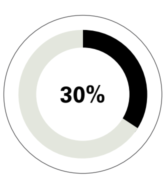


EXECUTIVE DIRECTOR

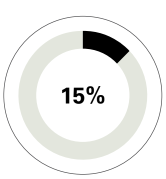
LENGTH OF TENURE



4 YEARS & ABOVE



2 - 3 YEARS



0 - 1 YEAR

QUICK VIEW OF THE BOARD OF DIRECTORS' ("DIRECTORS") DECLARATIONS CONTAINED IN THEIR RESPECTIVE PROFILE

(I) DETAILS OF INTEREST IN SECURITIES

Save and except for Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail, Datuk Wira Azhar Abdul Hamid, Dato' Sri Che Khalib Mohamad Noh, Datuk Muhamad Noor Hamid, Datuk Ooi Teik Huat, Datuk Idris Abdullah and Datuk Dr. Syed Muhamad Syed Abdul Kadir, none of the other Directors own any shares in the Company.

(II) FAMILY RELATIONSHIP WITH DIRECTORS AND/OR MAJOR SHAREHOLDERS

None of the Directors of the Company has any family relationship with other Directors and/or major shareholders of the Company.

(III) CONFLICT OF INTEREST

Save and except for Dato Sri' Che Khalib Mohammad Noh (refer to profile page 20), none of the other directors of the Company has any conflict of interest with the Company.

(IV) CONVICTION FOR OFFENCES

None of the Directors of the Company has any conviction for offences within the past 10 years (other than traffic offences).

BOARD OF DIRECTORS' PROFILE

- Y.A.M. TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL -

Tenure of service: 2 years as Board member	Malaysian	Independent Non-Executive Chairman Chairman of the Board Nomination and Remuneration Committee	Board Meetings Attended 11/11

Y.A.M.Tan Sri Dato' Seri Syed Anwar Jamalullail, aged 65, a Malaysian, was appointed to the Board of the Company as an Independent Non-Executive Chairman on 1 December 2014. He is also the Chairman of the Board Nomination and Remuneration Committee.

Y.A.M.Tan Sri holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia having qualified in 1974. He is a Chartered Accountant and a Certified Practising Accountant (Australia).

Y.A.M. Tan Sri commenced his career with Malaysia Airlines Systems Berhad in 1975 as a Financial Accountant, before moving on to hold senior positions in various companies. His last position was as the Group Managing Director of Amanah Capital Partners Berhad. Y.A.M. Tan Sri was the former Chairman of Lembaga Tabung Haji Investment Panel. He was the former Chairman of Media Prima Berhad, Malaysian Resources Corporation Berhad, DRB-Hicom Berhad, EON Bank Berhad, Uni Asia Life Assurance Berhad, Uni Asia General Insurance Berhad and Radicare (M) Sdn Bhd. He was also an independent director of Maxis Communications Berhad and Bangkok Bank Berhad.

Currently, Y.A.M. Tan Sri is the Chairman of Nestle (Malaysia) Berhad, Cahya Mata Sarawak Berhad, Lembaga Zakat Selangor and Pulau Indah Ventures Sdn Bhd (a joint venture company between Khazanah Nasional Berhad and Temasek Holdings of Singapore). He is also the Chancellor of SEGi University.

Y.A.M. Tan Sri attended all eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He holds 290,000 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- DATO' SRI CHE KHALIB MOHAMAD NOH -

Tenure of service: 3 years as Board member	Malaysian	Non-Independent Non-Executive Director	Board Meetings Attended 11/11

Dato' Sri Che Khalib Mohamad Noh, aged 51, a Malaysian, is a Non-Independent Non-Executive Director of the Company since 9 December 2014. He was appointed to the Board as the Managing DIrector on 1 July 2013 before being re-designated as Non-Independent Non-Executive Director of the Company.

A qualified accountant, Dato' Sri Che Khalib is a member of the Malaysian Institute of Accountants (CA, M) and a Fellow of the Association of Chartered Certified Accountants (FCCA, UK) United Kingdom.

Currently, Dato' Sri Che Khalib is the Group Managing Director of MMC Corporation Berhad.

Dato' Sri Che Khalib began his career with Messrs Ernst & Young in 1989 and later joined Bumiputra Merchant Bankers Berhad. Between 1992 and 1999, he served in several companies within the Renong Group. In June 1999, Dato' Sri Che Khalib joined Ranhill Utilities Berhad as Chief Executive Officer. He then assumed the position of Managing Director and Chief Executive Officer of KUB Malaysia Berhad. Dato' Sri Che Khalib was appointed as the President/Chief Executive Officer of Tenaga Nasional Berhad on 1 July 2004 where he served eight years until the completion of his contract on 30 June 2012. He then 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 between 2000 and 2004. He also served as a Board member within the United Engineers Malaysia Group of companies and Bank Industri & Teknologi Malaysia Berhad.

Dato' Sri Che Khalib currently sits on the Board of MMC Corporation Berhad, Zelan Berhad, Gas Malaysia Berhad, Johor Port Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Bank Muamalat Malaysia Berhad, Port Dickson Power Berhad, NCB Holdings Berhad, Kontena Nasional Berhad, Northport (Malaysia) Bhd and several private limited companies.

Dato' Sri Che Khalib attended all eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He holds 420,000 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company except that he is a Group Managing Director of MMC Corporation Berhad, a major shareholder of the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- DATUK MUHAMAD NOOR HAMID -

Tenure of service: 7 years as Board member	Malaysian	Non-Independent Non-Executive Director Chairman of the Board Procurement Committee Member of Nomination and Remuneration Committee and Board Risk and Investment Committee	Board Meetings Attended 10/11

Datuk Muhamad Noor Hamid, aged 65, a Malaysian, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 13 July 2009. He is Chairman of the Board Procurement Committee and also a member of the Board Nomination and Remuneration Committee and the Board Risk and Investment Committee.

Datuk Muhamad Noor obtained a Bachelor of Science (Hons) in Mechanical Engineering from Sunderland Polytechnic, England in 1977 and a Post Graduate Diploma in Natural Gas Engineering from the Institute of Gas Technology in Chicago, Illinois, USA in 1980. He attended the Management Program in 1992 at the Wharton Business School of Management, University of Pennsylvania, USA.

Datuk Muhamad Noor has held numerous positions during his 20 years of service in PETRONAS and PETRONAS Gas Sdn Bhd, including as head of the Peninsular Gas Utilisation II project team. He worked in OGP Technical Services Sdn Bhd, a joint venture company between PETRONAS and Novacorp Corporation of Canada, where he was the General Manager of the Pipeline Division. His expertise has taken him to overseas assignments mainly in Sudan where he was the Project Director for the Muglad Basin Oil Development Project. In 2000, he was appointed as the Chief Operating Officer of Projass Engineering Sdn Bhd, a Class A Bumiputera construction company. He joined Gas Malaysia Berhad in 2003 as Chief Operating Officer and was subsequently appointed as Chief Executive Officer in February 2004. On 24 April 2006, he was promoted to the position of Managing Director of Gas Malaysia Berhad. On 31 December 2013, he retired from Gas Malaysia Berhad. He currently sits on the Board of SapuraKencana Petroleum Berhad and Lafarge Malaysia Berhad.

He has more than 30 years of direct working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting.

Datuk Muhamad Noor attended ten out of eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He holds 321,200 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- CINDY TAN LER CHIN -

Tenure of service: 9 years as Board member	Malaysian	Non-Independent Non-Executive Director Member of the Board Risk and Investment Committee and Board Procurement Committee	Board Meetings Attended 09/11

Cindy Tan Ler Chin, aged 56, a Malaysian, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 9 August 2007. She is also a member of the Board Risk and Investment Committee and the Board Procurement Committee.

Cindy Tan obtained an Honours degree in Economics, majoring in statistics, from Universiti Kebangsaan Malaysia in 1984. In 1991, she obtained a Certified Diploma in Accounting and Finance, accorded by the Chartered Association of Certified Accountants. In 1995, she attended the Wharton-National University of Singapore Banking Programme.

Cindy Tan joined Employees Provident Fund ("EPF") in 1984. Since then she has served in the Finance Department, Treasury Department, Fund Management Function and was the Head of Fixed Income Investment of EPF until June 2009, when she was appointed to her current position as the Head of Investment Compliance and Settlement of EPF.

Cindy Tan attended nine out of eleven Board meetings of the Company held in the financial year ended 31 December 2016.

She does not hold any interest in the securities of the Company. She does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest of the Company. She has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- DATO' WAN KAMARUZAMAN WAN AHMAD -

Tenure of service: 3 years as Board member	Malaysian	Non-Independent Non-Executive director	Board Meetings Attended 09/11

Dato' Wan Kamaruzaman Wan Ahmad, aged 57, a Malaysian, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 21 May 2013.

Dato' Wan Kamaruzaman obtained a Bachelor of Economics degree in Analytical Economics from the University of Malaya in 1981.

Dato' Wan Kamaruzaman is currently the Chief Executive Officer of Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") and has been serving since May 2013. Previously, he served as the General Manager of Treasury Department at the Employees Provident Fund from October 2007 until April 2013. He started his working career with Malayan Banking Berhad ("Maybank") since 1981, mostly in the Treasury Department with postings in Hamburg, Germany as Chief Dealer and in London, United Kingdom as Treasury Manager. After leaving Maybank, he served in several companies within the Affin bank group, as the Chief Executive Officer of Affin Moneybrokers Sdn Bhd from July 1994 to August 2003 and as the Chief Executive Officer of Affin Trust Management Sdn Bhd from September 2003 to November 2005.

He was also a board member of Affin Futures Sdn Bhd from September 1999 to December 2002 and a board member of Affin Fund Management Sdn Bhd from January 2004 to November 2005. He joined Kemuncak Facilities Management Sdn Bhd as the Executive Director - Finance and served the company until September 2006. He then joined Izoma Sdn Bhd as Executive Director - Finance from October 2006 until August 2007. He is a board member of Valuecap Sdn Bhd and Director of Prima Ekuiti (UK) Ltd, a subsidiary company of KWAP. He was appointed as the first Chairman of the Institutional Investors Council which was established in 2015 to represent the interest of institutional investors in Malaysia. He is also a member of the Financial Stock Exchange – Environmental, Social & Governance Advisory Committee in London since September 2015.

Dato' Wan Kamaruzaman attended nine out of eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He does not hold any interest in the securities of the Company. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest of the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- DATUK OOI TEIK HUAT -

Tenure of service: 5 years as Board member	Malaysian	Non-Independent Non-Executive Director Member of the Board Audit Committee and Board Procurement Committee	Board Meetings Attended 11/11

Datuk Ooi Teik Huat, aged 56, a Malaysian, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 1 January 2012. He is also a member of the Board Audit Committee and the Board Procurement Committee.

Datuk Ooi obtained a Bachelor degree in Economics from Monash University, Melbourne, Australia in 1984 and is a member of the Malaysian Institute of Accountants and CPA Australia.

Datuk Ooi began his career with Messrs Hew & Co., Chartered Accountants in 1984. After leaving Messrs Hew & Co in June 1989, he joined Malaysian International Merchant Bankers Berhad until August 1993. He subsequently joined Pengkalan Securities Sdn Bhd in August 1993 as Head of Corporate Finance, before leaving in September 1996 to set up Meridian Solutions Sdn Bhd where he is presently a director.

Datuk Ooi sits on the boards of MMC Corporation Berhad, Tradewinds (M) Berhad, Tradewinds Plantation Berhad, DRB-HICOM Berhad, Zelan Berhad, Johor Port Berhad, Gas Malaysia Berhad, MARDEC Berhad, Padiberas Nasional Berhad, Tradewinds Corporation Berhad and several private limited companies.

Datuk Ooi attended all eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He holds 420,000 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- TAN SRI DATO' SERI ALAUDDIN DATO' MD SHERIFF -

Tenure of service: 4 years as Board member	Malaysian	Independent Non-Executive Director Member of the Board Audit Committee and Board Procurement Committee	Board Meetings Attended 09/11

Tan Sri Dato' Seri Alauddin Dato' Md Sheriff, aged 70, a Malaysian, was appointed to the Board of the Company as an Independent Non-Executive Director on 11 December 2012. He is also a member of the Board Audit Committee and the Board Procurement Committee.

Tan Sri Dato' Seri Alauddin was admitted as an Utter Barrister of the Honourable Society of Inner Temple, London, having been called to the Bar of England & Wales in 1970.

Tan Sri Dato' Seri Alauddin held various posts in the legal and judicial service since 1971. He started his career with the Judiciary as a Magistrate in Bukit Mertajam in 1971 and in Kangar in 1972. Thereafter, he was appointed as President of the Sessions Court in Sungai Petani, Kuantan and Taiping. In 1977, he was appointed as Senior Federal Counsel with the Income Tax Department and the Attorney General's Chambers. In June 1979, he was seconded to PETRONAS Carigali Sdn Bhd as its Secretary cum Legal Advisor. Thereafter, he was appointed as the Legal Advisor to the State of Johor in October 1980. In April 1982, he took the office of the Legal Advisor of Negeri Sembilan. He was again appointed as the Legal Advisor to the State of Johor in June 1983. He was appointed as the Chairman of the Advisory Board in the Prime Minister's Department since June 1989.

Tan Sri Dato' Seri Alauddin was appointed as Judicial Commissioner of the High Court of Malaya in Kuala Lumpur on 1 February 1992 and was transferred to the High Court of Malaya in Johor in the same year. He was later elevated as the Judge of the High Court wherein he had served in the High Courts of Johor, Kangar and Alor Star before being elevated to the Court of Appeal in April 2001. After serving about three years in the Court of Appeal, he was elevated to the Federal Court of Malaysia on 12 July 2004. During his tenure as a Judge of the Federal Court, he undertook the duties and functions of the President of the Court of Appeal from 15 August 2006 until 4 September 2007. On 5 September 2007, he was appointed as the Chief Judge of Malaya and on 18 October 2008, he was appointed as the President of the Court of Appeal until his retirement in August 2011. He currently sits on the board of Vertical Inter Circle Sdn Bhd.

Tan Sri Dato' Seri Alauddin attended nine out of eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He does not hold any interest in the securities of the Company. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest of the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- DATUK IDRIS ABDULLAH -

Tenure of service: 4 years as Board member	Malaysian	Independent Non-Executive Director Chairman of the Board Risk and Investment Committee Member of the Board Audit Committee and Board Nomination and Remuneration Committee	Board Meetings Attended 10/11

Datuk Idris bin Abdullah, aged 59, a Malaysian, was appointed to the Board of the Company as an Independent Non-Executive Director on 11 December 2012. He is Chairman of the Board Risk and Investment Committee and also a member of the Board Audit Committee and the Board Nomination and Remuneration Committee.

Datuk Idris graduated from Universiti Malaya in 1981 with a LLB. (Hons) degree and is currently a Senior Partner in Messrs. Idris & Company Advocates, Kuching Sarawak.

He is a former Commission Member of the Companies Commission of Malaysia from 2007 to 2014 and Commission Member of the Malaysian Communications and Multimedia Commission from 2011 to 2015. He was a director of Bank Pembangunan Berhad (Malaysian Development Bank Berhad) from 2010 to 2014. He sits on the board of directors of NCB Holdings Berhad, DRB-HICOM Berhad and several private limited companies.

Datuk Idris attended ten out of eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He holds 290,000 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- DATUK DR. SYED MUHAMAD SYED ABDUL KADIR -

Tenure of service: 4 years as Board member	Malaysian	Independent Non-Executive Director Chairman of the Board Audit Committee Member of the Board Nomination and Remuneration Committee and Board Risk and Investment Committee	Board Meetings Attended 11/11

Datuk Dr. Syed Muhamad Syed Abdul Kadir, aged 70, a Malaysian, was appointed to the Board of the Company as an Independent Non-Executive Director on 11 December 2012. He is Chairman of the Board Audit Committee and also a member of the Board Nomination and Remuneration Committee and the Board Risk and Investment Committee.

Datuk Dr. Syed Muhamad graduated with a Bachelor of Arts (Hons.) from Universiti Malaya in 1971. He obtained a Master of Business Administration from the University of Massachusetts, USA, in 1977 and proceeded to obtain a PhD (Business Management) from Virginia Polytechnic Institute and State University, USA in 1986. In 2005, he obtained a Bachelor of Jurisprudence (Hons.) from the University of Malaya. He obtained the Certificate in Legal Practice in 2008 from the Malaysian Professional Legal Board. He was admitted as an Advocate and Solicitor of the High Court of Malaya in July 2009, and obtained the Master of Law (Corporate Law) from Universiti Teknologi MARA in December 2009. In June 2011, he became a member of the Chartered Institute of Arbitrators, United Kingdom and in May 2012, he became the fellow of the said Institute.

Datuk Dr. Syed Muhamad started his career in 1973 as Senior Project Officer, School of Financial Management at the National Institute of Public Administration (INTAN) and held various positions before his final appointment as Deputy Director (Academic). In November 1988, he joined the Ministry of Education as Secretary of Higher Education and thereafter assumed the post of Deputy Secretary (Foreign and Domestic Borrowing, Debt Management), Finance Division of Federal Treasury. Between June 1993 to June 1997, he joined the board of directors of Asian Development Bank, Manila, the Philippines, first as alternate Executive Director and later as an Executive Director. In July 1997, he joined the Ministry of Finance as Secretary (Tax Division) and subsequently became the Deputy Secretary General (Operations) of Ministry of Finance. Prior to his retirement, he was Secretary General, Ministry of Human Resources from August 2000 to February 2003.

Datuk Dr. Syed Muhamad is the Chairman of CIMB Islamic Bank Berhad, CIMB-Principal Islamic Asset Management Sdn Bhd, Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad. He is also a Director of Euro Holdings Berhad, Solution Engineering Holdings Berhad, BSL Corporation Berhad and ACR ReTakaful Berhad. He also holds directorships in a number of private companies.

Datuk Dr. Syed Muhamad attended all eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He holds 150,000 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- KOHEI HIRAO -

Tenure of service: 1 year as Board member	Japanese	Non-Independent Non-Executive Director	Board Meetings Attended 10/11

Kohei Hirao, aged 63, a Japanese, was appointed to the Board as an Independent Non-Executive Director of the Company on 20 January 2016. He was redesignated as Non-Independent Non-Executive Director of the Company on 5 July 2016.

Kohei Hirao graduated from the faculty of Economics, Kyoto University, Japan.

He held numerous positions in Sumitomo Corporation since he joined in 1977 such as Corporate Officer and Executive Officer (General Manager, Power & Social Infrastructure Business Division in charge of worldwide power businesses) in 2006 and 2008 respectively. In 2010, Kohei Hirao was appointed the Executive Officer (General Manager, Telecommunication, Environment & Industrial Infrastructure Business Division in charge of worldwide infrastructure businesses). He was then appointed in 2011 as the Managing Executive Officer (General Manager, Telecommunication, Environment & Industrial Infrastructure Business Division) during which he was responsible for the worldwide infrastructure businesses.

In 2012, he assumed the position of Managing Executive Officer (General Manager for Asia where he was responsible for all of Sumitomo's businesses in Asia), President & Chief Executive Officer of Sumitomo Corporation Asia Pte. Ltd. In 2013, he was appointed as the President and Chief Executive Officer at Sumitomo Corporation Asia & Oceania Pte. Ltd. where he was responsible for all of Asia & Oceania portfolio of businesses spanning from infrastructure, steel, automobile, chemical, media, food, real estate and so on.

In 2015, Kohei Hirao was appointed as the Advisor of Sumitomo Corporation until his resignation on 30 June 2016. He is currently the Special Senior Advisor to Albukhary Group.

Kohei Hirao attended ten out of eleven Board meetings of the Company held in the financial year ended 31 December 2016.

He does not hold any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

- ZALMAN ISMAIL -

Tenure of service: 3 years as Board member	Malaysian	Alternate director to Dato' Wan Kamaruzaman Wan Ahmad

Zalman Ismail, aged 45, a Malaysian, was appointed as the alternate director to Dato' Wan Kamaruzaman Wan Ahmad on 21 May 2013. He was a board member of the Company from 18 March 2013 until 21 May 2013 before assuming current position on the Board as the alternate director to Dato' Wan Kamaruzaman Wan Ahmad.

Zalman Ismail obtained a Bachelor's degree (Hons) in Business Administration (Finance) from Eastern Michigan University, United States in 1994.

He started his career in 1995 when he joined Rating Agency Malaysia as a credit analyst. He then worked as a stock broking analyst at Dresdner Kleinwort Benson Research (M) Sdn Bhd from 1997 to 1999. In 1999, he joined a telecommunication engineering company, Twin Worldwide Communication Sdn Bhd as General Manager of Finance & Operations until 2005.

He joined the Sime Darby Group in 2005 and held various positions in the Group including as Head of Value Management, Head of Investor Relations and Head of Business Development (Healthcare Division) prior to leading the Strategy and Business Development Department in Sime Darby Property Berhad. He has over 19 years work experience. He also spearheaded the valuation and closing team for the mega plantation merger between Sime Darby Berhad, Kumpulan Guthrie Berhad and Golden Hope Plantations Berhad.

Zalman Ismail is currently the Director of Alternative Investment Department, Kumpulan Wang Persaraan (Diperbadankan) (KWAP), a position he held since 2011. His responsibilities include maximizing long-term returns through investments in private equity, property and infrastructure both local and overseas.

He does not hold any interest in the securities of the Company. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest of the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

MEMBERS OF MANAGEMENT COMMITTEE

Seated from left to right:

AFFAN MOHD NAWI
Senior Vice President,
Group Corporate Services Division

DATUK WIRA AZHAR ABDUL HAMID
Group Managing Director

RUSWATI OTHMAN
Chief Financial Officer / Senior Vice President,
Group Finance & Accounts Division

HABIB HUSIN
Executive Vice President, Operations

Standing from left to right:

MOHD SHOKRI DAUD
Senior Vice President,
Local Generation Division

AZHARI SULAIMAN
Senior Vice President,
Group Planning & Strategy Division

GROUP MANAGING DIRECTOR'S PROFILE

DATUK WIRA AZHAR ABDUL HAMID

TENURE OF SERVICE

9 MONTHS

MALAYSIAN

GROUP MANAGING DIRECTOR

Datuk Wira Azhar Abdul Hamid (Datuk Wira Azhar), age 55, a Chartered Accountant by training, is the Group Managing Director of Malakoff Corporation Berhad. He joined the company on 1 May 2016.

Prior to this appointment, Datuk Wira Azhar was the President/ Group Managing Director of Tradewinds Corporation Berhad before relinquishing the said position to be the Chairman of Tradewinds Corporation Berhad. He was also the Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd (MRTC) from 2011 to 2014. MRTC is a Government of Malaysia owned company and is the owner and developer of the first rail MRT infrastructure in Malaysia, due to begin operations in Kuala Lumpur/ Klang Valley by 2017.

Datuk Wira Azhar is also a shareholder and founder of CBS Maju Sdn Bhd, Fortune Allbest Sdn Bhd and Chelsea Capital Sdn Bhd, private investment/ advisory companies focusing on the Oil & Gas, Power, Hospitality and Oil Palm sectors.

Prior to 2010, Datuk Wira Azhar was with Sime Darby Berhad, a Malaysia conglomerate with interest in Oil Palm and Rubber Upstream and Downstream businesses, Property, Heavy Equipment, Automobile Assembly and Distribution, Engineering, Utilities and Healthcare. Prior to leaving the Sime Darby Group in September 2010, he was Managing Director of Sime Darby Plantation Sdn Bhd. In addition to this position, during the last few months of his tenure at Sime Darby, Datuk Wira Azhar was also the Acting President & Group Chief Executive, overseeing the entire Group's operations.

Datuk Wira Azhar began his senior executive career in 1989 in the United Kingdom, where he served British Telecom Plc as Internal Audit Manager. He returned to Malaysia in 1991 and joined Malaysian Cooperative Insurance Society as Head of Internal Audit and later as Head of Finance. In 1994, he joined Sime Darby Group serving Sime Tyres International Sdn Bhd as Financial Controller, Sime Conoco Sdn Bhd as Business Development Director and the Group's Engineering, Oil & Gas Division as Group General Manager.

He then left the Sime Darby Group and was Group Chief Executive of Pernas International Holdings Bhd, a then Malaysian listed company, in November 2001, a post he held until October 2002.

In 2003, Datuk Wira Azhar returned to Sime Darby Group, as Business Development Director in Sime Plantations Sdn Bhd. The following year, in 2004, he assumed the role of Managing Director of Tractors Malaysia Holdings Bhd. Concurrently, he was Sime Darby Group's Divisional Director for the Heavy Equipment Division for Asia Pacific, covering China, Hong Kong, Malaysia, Singapore and the Philippines.

Datuk Wira Azhar then transferred to Sime Plantations Sdn Bhd as Managing Director, and concurrently held the post of Sime Darby Group's Divisional Director for Plantations & Food Division of Sime Darby Berhad. Following the merger of Sime Darby, Golden Hope Plantations and Kumpulan Guthrie in November 2007, Datuk Wira Azhar was appointed Managing Director of Sime Darby Plantation Sdn Bhd, and EVP/ Head of Sime Darby's Plantation & Agri-business Division.

Currently, Datuk Wira Azhar serves as Independent Director of publicly listed Icon Offshore Bhd, Hume Industries Bhd and Hong Leong Bank Bhd. He is also a Board member of the Epic Products Berhad and THR Hotel (Selangor) Bhd and State Economic Development Corporation for the State of Perak Darul Ridzuan.

Between 2007 and 2010, Datuk Wira Azhar also served as Chairman of the Malaysian Palm Oil Association (MPOA), Board member of Malaysia Palm Oil Board and the Malaysian Palm Oil Council.

Datuk Wira Azhar was awarded the "Darjah Paduka Tuanku Ja'afar" (DPTJ) by His Royal Highness, The Yang DiPertuan Besar Negeri Sembilan Darul Khusus, AlMarhum Tuanku Ja'afar Ibni AlMarhum Tuanku Abdul Rahman which carries the title "Dato" in 2007.

In addition to this, he was awarded the "Darjah Cemerlang Seri Melaka" by His Excellency Governor of the State of Melaka, TYT Tun Khalil Yakcob, in 2013, which carries the title "Datuk Wira".

Since his appointment as director during the year, Datuk Wira Azhar attended seven out of seven Board meetings of the Company held in the financial year ended 31 December 2016.

Datuk Wira Azhar holds 531,700 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

MEMBERS OF MANAGEMENT COMMITTEE'S PROFILE

HABIB HUSIN

TENURE OF SERVICE: 18 YEARS

MALAYSIAN

EXECUTIVE VICE PRESIDENT, OPERATIONS

Habib Husin, aged 56, is the Executive Vice President, Operations ("EVP, Operations") of the Company.

He obtained his Bachelor in Engineering (Electrical and Electronics) degree from University of Wales, United Kingdom in 1983. He attended and completed the Harvard Senior Management Development Programme in Malaysia in August 2004, Harvard Finance Programme in April 2005 and Advanced Management Programme in June 2009 at the Wharton Business School, University of Pennsylvania in Philadelphia, USA.

He started his career in September 1983 as an Assistant Instrument Maintenance Engineer at Tuanku Jaafar Power Station for Lembaga Letrik Negara (currently known as TNB). In September 1985, he was transferred to Kapar Power Plant (Phases I and II) and was subsequently promoted to Instrument Maintenance Engineer in 1987. He was awarded an Excellence in Career award in 1987 for exceptional effort and outstanding achievement. In September 1990, he joined Sarawak Shell Berhad as Instrument Reliability Engineer before moving to ICI Paints (Malaysia) Sdn Bhd as Works Engineer in August 1992. He was also awarded a Silver Award from ICI for exceptional effort and outstanding achievement in 1996.

In July 1998, he joined Malakoff Berhad as the Senior Manager, Technical Audit Department. He was promoted to Assistant General Manager, Business Organisation and Technical Services in January 2000.

In September 2001, he was appointed as General Manager Projects in Segari Energy Ventures Sdn Bhd. In July 2004, he was promoted to Chief Operating Officer in SEV. He was made the Senior Vice President, Asset Management Division in April 2006 overseeing all the assets held under the Malakoff Berhad Group. He was promoted to Chief Operating Officer of the Company in October 2010 to oversee the Operations and Maintenance Division and the Asset Management Division. He was redesignated to his current position as EVP, Operations of the Company on 3 August 2015.

He currently sits on the board of key subsidiaries/associate companies under Malakoff Corporation Berhad.

Habib Husin holds 360,000 ordinary shares in the Company. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

RUSWATI OTHMAN

TENURE OF SERVICE: 22 YEARS

MALAYSIAN

CHIEF FINANCIAL OFFICER/SENIOR VICE PRESIDENT, GROUP FINANCE & ACCOUNTS DIVISION

Ruswati Othman, aged 56, is the Chief Financial Officer and Senior Vice President, Group Finance and Accounts Division of the Company.

She obtained her Bachelor of Science degree in Chemistry from University of Bradford, England, United Kingdom in 1984 and her Master of Business Administration degree (majoring in Accounting and Finance) from University of Massachusetts, Boston, USA in 1988. She completed the Advanced Management Programme at Wharton Business School, University of Pennsylvania, Philadelphia, USA in October 2011.

She started her career as executive in the Chemical Division of Behn Meyer & Co. in 1984. She joined Southern Bank Berhad as an officer in 1989. She was appointed as Assistant Manager, Corporate Planning and Investments at Melewar Corporation Bhd/Malaysian Assurance Alliance Bhd in 1990.

In 1994, she joined Malakoff Berhad as Manager, Corporate Planning. In 1997, she was promoted to Senior Manager and as Head, Research and Risk Management Department. She was promoted to Assistant General Manager, Corporate Finance and Risk Management in 1999 and as General Manager and Head, Corporate Finance and Risk Management Department in 2000. In 2004, she was promoted to the position of Chief Financial Officer/Senior Vice President, Group Finance & Accounts Division. Her present responsibility includes managing the Group Accounts and Treasury Department, the Corporate and Project Finance Department and the Investor Relations Department. She oversees the overall accounting and reporting functions in Malakoff Corporation Berhad ("Malakoff") and heads the Malakoff team for corporate finance exercises such as equity & debt financing as well as mergers & acquisition and project finance exercises for companies within the Malakoff Group. She also oversees the Company's investor relations function by attending meetings with institutional investors.

She currently sits on the board of Tanjung Bin Energy Issuer Berhad.

Ruswati holds 200,000 ordinary shares in the Company. She does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest with the Company. She has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

MEMBERS OF MANAGEMENT COMMITTEE'S PROFILE

AZHARI SULAIMAN

TENURE OF SERVICE: 12 YEARS

MALAYSIAN

SENIOR VICE PRESIDENT, GROUP PLANNING & STRATEGY DIVISION

Azhari Sulaiman, aged 56, a Malaysian, holds a Bachelor of Science in Electrical & Electronic Engineering from Loughborough University of Technology, England and Masters in Business Administration from Universiti Malaya. He first joined Lembaga Letrik Negara in September 1983 as a Computer Maintenance Engineer in the Computer Maintenance Department. In 1986, he was promoted to Senior Engineer, Telecontrol, in which, he was involved mainly in the development of control centres, repair and maintenance of the National Load Despatch Centre SCADA/EMS computer system and Remote Terminal Units (RTUs). In January 1994, he was transferred to the Business Management unit of the Transmission Division as the Senior Manager (Commercial) where he spent 5 years.

Azhari joined the Malakoff Group in August 2004 as Chief Operating Officer of Tanjung Bin Power Sdn Bhd (“TBP”). In this capacity, he had overseen the construction and commissioning of Malakoff’s first coal-fired power plant. Upon completion of TBP, he assumed the position of Vice President, Business Development. He is currently the Senior Vice President of Group Planning and & Strategy Division where he is responsible for the Group’s business and project developments.

Azhari holds 118,000 ordinary shares in the Company. He does not hold any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

MOHD SHOKRI DAUD

TENURE OF SERVICE: 21 YEARS

MALAYSIAN

SENIOR VICE PRESIDENT, LOCAL GENERATION DIVISION

Ir Mohd Shokri Daud, aged 48, has about 24 years of experience in the Power Industry in various roles and capacities. He started in 1992 with TNB as a Control & Instrumentation (C&I) Engineer in Sultan Ismail Power Station, Paka, Terengganu. In 1995, he joined Malakoff in Lumut Power Plant and moved up the ranks to undertake various roles ranging from maintenance, operations and engineering.

He started to assume management position from 2008, upon being appointed as the plant manager for Prai Power Plant in 2008. He manages the company’s portfolio of assets from 2012 as the Head of the Asset Management Division. In September 2016, he was re-designated to Senior Vice President, Local Generation Division where he is responsible for the entire spectrum of the operations of the Malaysian assets. Mohd Shokri graduated with a degree in Electrical Engineering from Northern Arizona University, Arizona, USA.

Mohd Shokri holds 90,000 ordinary shares in the Company. He does not hold any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

AFFAN MOHD NAWI

TENURE OF SERVICE: 1 YEAR

MALAYSIAN

SENIOR VICE PRESIDENT, GROUP CORPORATE SERVICES DIVISION

Affan Bin Mohd Nawi, aged 43, has been appointed to carry out the role as the Senior Vice President, Group Corporate Services Division of Malakoff Corporation Berhad effective 4 November 2015. Affan oversees the Group's Procurement, Business Process Improvement, Risk Management and Information Management, (IT and Enterprise Applications) departments.

Prior to joining, Affan was the General Manager, Strategic Sourcing, Group Procurement at Telekom Malaysia Berhad from 2012 to 2015, after having served seven years in Khazanah Nasional Berhad first in the Transformation Management Office and then in Special Projects in the Managing Director’s Office. Affan had also served several senior positions in iPerintis Sdn Bhd from 2003 to 2006, A.T. Kearney Inc from 2000 to 2003 and Petroliam Nasional Berhad (PETRONAS) from 1997 to 2000. Affan holds a Master’s degree in Information Systems and Bachelors of Science in Information and Decision Sciences from Carnegie Mellon University, Pittsburgh, Pennsylvania, United States.

Affan holds 1,200 ordinary shares in the Company. He does not hold any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any Director and / or major shareholder of the Company or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years, other than traffic offences, if any.

Dear Shareholders,

The year 2016 saw Malakoff Corporation Berhad ("Malakoff" or "the Group") successfully reinforcing its position as the nation's largest Independent Power Producer ("IPP") in terms of effective generation capacity. We leveraged on our inherent strengths, namely good business fundamentals, a disciplined management approach, enhanced operational efficiencies and plain hard work, to make solid operational progress and deliver a steadfast financial performance. This was all the more noteworthy given that it was achieved amidst a highly challenging operating environment.

TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

CHAIRMAN'S STATEMENT

GROUP REVENUE INCREASED BY 15 PERCENT TO
RM6,098.4 MILLION FROM
RM5,302.0 MILLION IN FY2015

KEY MILESTONES ACHIEVED

I am delighted to announce that we achieved important milestones which helped strengthen our market standing. On the home front, we attained a major milestone when the newly built 1,000 MW coal-fired Tanjung Bin Energy Power Plant achieved its commercial operations date ("COD") on 21 March 2016. The same month saw the Port Dickson Power Plant commencing its three-year extension period for its existing Power Purchase Agreement ("PPA"). On the international front, our new venture in Oman, the Al Ghubrah Independent Water Project (Sultanate of Oman) achieved its COD on 19 February 2016.

Elsewhere on the domestic front, our other local plants continued to turn in a steady performance above the IPP industry average in terms of energy availability factor and thermal efficiency. At the same time, the stable of overseas plants continued to operate in a steadfast manner, some more efficiently than others. By ensuring good stewardship of our assets in whichever markets we operate, we continue to create long-term value for our shareholders.

The finer details of the Group's operational performance are spelt out in the Group Managing Director's Message and Management Discussion and Analysis ("MD&A") section of this Annual Report.

STEADFAST PERFORMANCE ATTAINED

Amidst the year's demanding operating environment, the Malakoff Group turned in a Profit after Tax and Minority Interest ("PATMI") of RM355.5 million for the financial year ended 31 December 2016 ("FY2016"), a 21 percent drop from RM452.4 million in FY2015. Group revenue increased by 15 percent to RM6,098.4 million from RM5,302.0 million in FY2015. This increase came on the back of revenue contributions by Tanjung Bin Energy Sdn Bhd pursuant to its COD.

The Group's total assets have been steadily rising over the years and as at the end of 2016 stood at RM30.3 billion mainly due to the construction and development of the new Tanjung Bin Energy Power Plant. The Group has strong cash-generating ability due to the dependable cash flows from its IPPs. According to Rating Agency Malaysia ("RAM"), Malakoff has a credit rating of at least AA3/AA at various levels within our group of companies, while Malaysian Rating Corporation Berhad ("MARC") has accorded Malakoff Power Berhad's RM5.40 billion Sukuk Murabahah an AA- rating and affirmed its stable outlook.

For more details of the Group's financial performance, please turn to the Group Managing Director's Message and MD&A section of this Annual Report.

SHAREHOLDER VALUE CREATION

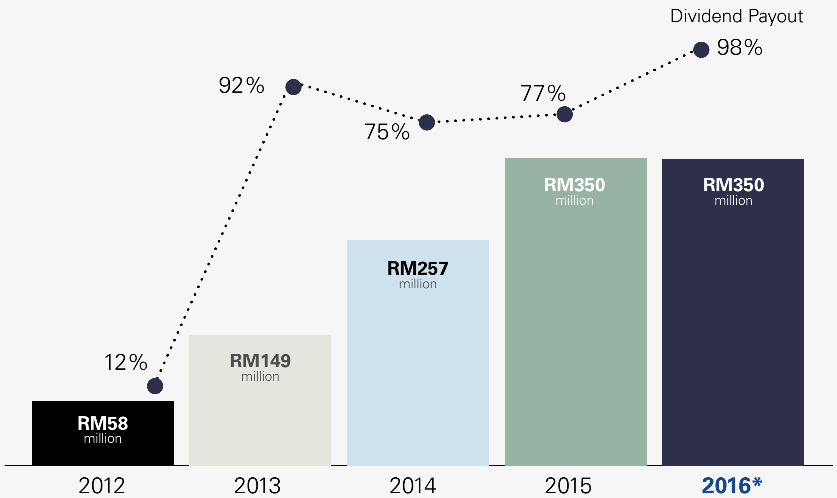
For the year under review, the Group's basic earnings per share ("EPS") dropped 29 percent to 7.11 sen in comparison to EPS of 9.98 sen in FY2015. Meanwhile, the Group turned in a Return on Equity ("ROE") of 6 percent during the same period. Malakoff continues to maintain a healthy balance sheet and a comfortable net gearing of 2.14 times to sustain existing operations.

In line with the dividend policy that came into effect on 1 January 2015, Malakoff ("the Company") is targeting a dividend payout ratio of not less than 70 percent of its consolidated profit attributable to the owners of the Company. This policy will enable shareholders to participate in the Company's profits, whilst retaining adequate reserves for working capital requirements.

In view of FY2016's performance and after considering the Group's funding requirements, the Board of Directors is pleased to recommend a single tier final dividend of 3.5 sen per ordinary share subject to shareholders' approval at the coming Annual General Meeting on 19 April 2017. Together with the interim dividend of 3.5 sen per ordinary share paid out in October 2016, the total dividend for FY2016 will amount to 7.0 sen per ordinary share. This represents a payout of 98 percent of PATMI for the year.

CHAIRMAN'S STATEMENT

TOTAL ANNUAL DIVIDEND



* Interim + proposed final dividend

In line with our continuing efforts to create value for our shareholders, your Board remains committed to implementing the highest standards of corporate governance and risk management practices throughout our organisation. Rest assured that Malakoff is continuously working to improve the effective application of the principles and best practices laid down by the Malaysian Code on Corporate Governance 2012, the Corporate Governance Guide as well as the Main Market Listing Requirement issued by Bursa Securities.

In FY2016, the Board set its sights on enhancing sound corporate governance practices whereby it has established two new policies, namely the Diversity Policy and the Non-Audit Services Policy. The former aims to ensure that there is a procedure in the Board's recruitment and selection process that upholds diversity in terms of age, gender and ethnicity on the Board. The latter policy relates to the provision of a Non-Audit Services Policy by our external auditors so that the independence of our external auditors remains intact.

Over the course of FY2016, Malakoff also embarked on a journey to implement a sustainability reporting framework so that a solid foundation could be put into place for our sustainability efforts on the economic, environmental and social fronts. We also revised the related party transactions ("RPT") as well as recurrent RPT policies and procedures to enhance and tighten the controls of the relevant policies and procedures. The terms of reference of the Board Audit Committees were also revised to bring these in line with the amendments to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The full Corporate Governance Statement can be found on pages 62 to 84 of this Annual Report.

As part of the Board's endeavours to develop a robust risk management framework, a comprehensive rollout of risk management activities and initiatives throughout the Group has been implemented. Today, a Board Risk and Investment Committee provides effective oversight of the Group's risk appetite, functions and processes and is supported by the Management Risk Committee. Following the successful implementation of Business Continuity Management ("BCM") initiatives at Malakoff's headquarters in Kuala Lumpur, we extended our BCM mandate to five of our local power plants. Going forward, we will continue to enhance the Group's governance and risk management framework.

Further details of Malakoff's governance and risk management policies can be found in the relevant sections of this Annual Report.

We also remain committed to delivering intangible value to our shareholders. The year in review saw Malakoff receiving a host of awards and accolades for our commitment to excellence on several fronts.

In recognition of Tanjung Bin Energy Power Plant's advanced design and technology as well as its timely completion, the plant was named the "Coal Power Project of the Year" by *Asian Power Awards* in September 2016. Tanjung Bin Energy also won the "Coal Top Plant 2016 Award" from *Power Magazine* in October 2016.

MOVING FORWARD

While the global economic outlook and operating environment remain challenging, there are several elements that we continue to tap to bolster Malakoff's position as an attractive investor proposition.

To date, Malakoff remains the largest IPP in Malaysia in terms of effective generation capacity. By way of our domestic IPPs and international assets in the power and water segments, the Group had a total effective capacity of 7,036 MW and 444,800 m³/day respectively as at end 2016. The plan moving forward is to expand the Group's effective power generation to 10,000 MW and our effective water production capacity by approximately 50 percent by 2020.

Today, approximately 97 percent of the Group's revenue is generated by the power generation business, from which we receive capacity as well as energy payments from Tenaga Nasional Berhad.

Malaysia continues to progressively shift its energy mix for power generation to reduce its dependence on just natural gas. By 2020, coal is expected to increase its contribution to the nation's energy mix to 46 percent. With our Tanjung Bin Energy Power Plant having come online and adding to the entire Tanjung Bin power complex portfolio, our privately owned coal-fired power plants

CHAIRMAN'S STATEMENT

TODAY, APPROXIMATELY 97 PERCENT OF THE GROUP'S REVENUE IS GENERATED BY THE POWER GENERATION BUSINESS, FROM WHICH WE RECEIVE CAPACITY AS WELL AS ENERGY PAYMENTS FROM TENAGA NASIONAL BERHAD.

now account for some 38 percent of Peninsular Malaysia's total installed coal-fired generation capacity.

Our commitment to operational excellence has ensured that our plants are managed and maintained efficiently and cost-effectively in line with world-class standards. This is complemented by a commendable performance in the key areas of Health, Safety and the Environment ("HSE") as well as overall plant performance.

Malakoff's standing in the industry has enabled us to forge mutually beneficial relationships that include high-quality counter-parties in the business, suppliers and an international network of vendors and strategic partners. These relationships help to strengthen our business and value chain.

In the short-run, we foresee limited new opportunities in the domestic power generation industry even after taking into account a limited diversification programme and our entrance into renewable energy ("RE"). To this end, Malakoff will aggressively explore opportunities overseas. Our focus will be on mergers and acquisitions where we can buy into earnings growth and strengthen the Group's earnings. We will initially explore investment opportunities that are in line with our core business as well as businesses related to the energy and utility sector.

On the RE front, we made some good progress when we received a conditional offer from the Malaysian Government for the development of a large scale solar photovoltaic plant in Peninsular Malaysia under a build, own and operate ("BOO") arrangement for a term of 21 years under the Power Purchase Agreement. While our investment focus regions today include Malaysia, MENA, Southeast Asia and Australia, we are open to exploring other markets where it makes sense to do so.

Moving forward we will continue to leverage on a business model that is designed to ensure sustainable growth well into the future. We are proactively working with the Government to ensure our future growth aspirations within Malaysia is in alignment with the country's energy needs. We seek to diversify our earnings base by exploring new but related areas of business such as renewable energy, water production, electricity and chilled water distribution, as well as more O&M services opportunities including power plant training.

As we embrace a new year, we are confident that the Group's performance will strengthen as we expect our coal fired and gas fired power plants to continue performing well. With plants such as Tanjung Bin Energy having commenced commercial operations, we are confident of stronger earnings potential in the near future. As we stride forward, we are determined to maintain a resolute focus on our core competencies. We remain committed to improving operational efficiencies and profitability through prudent financial management and cost control initiatives. At the same time, we will work to nurture and enhance the skills and expertise of our people. With all these in place, I believe we can unlock the full potential of the Group's businesses.

ACKNOWLEDGEMENTS

While the year 2016 was indeed a challenging one for Malakoff, the Group was able to surmount the odds due to the strong support we received from several parties. On behalf of the Board of Directors of Malakoff Corporation Berhad, I wish to express my heartfelt appreciation to all our shareholders and customers for your unwavering support and confidence in the Group. My sincere thanks to our bankers and financiers, partners, business associates, suppliers, various government bodies, regulators, Bursa Securities as well as the members of the media for your unstinting support for Malakoff.

Our steadfast performance to date is the result of solid business fundamentals, a disciplined management approach and the hard work of our diligent management team and employees. I applaud Team Malakoff for their tireless efforts and for their commitment to exhibiting a spirit of excellence in all that they do. To my colleagues on the Board. I am deeply appreciative for their constant guidance and astute insights which have helped drive Malakoff forward despite a challenging business landscape.

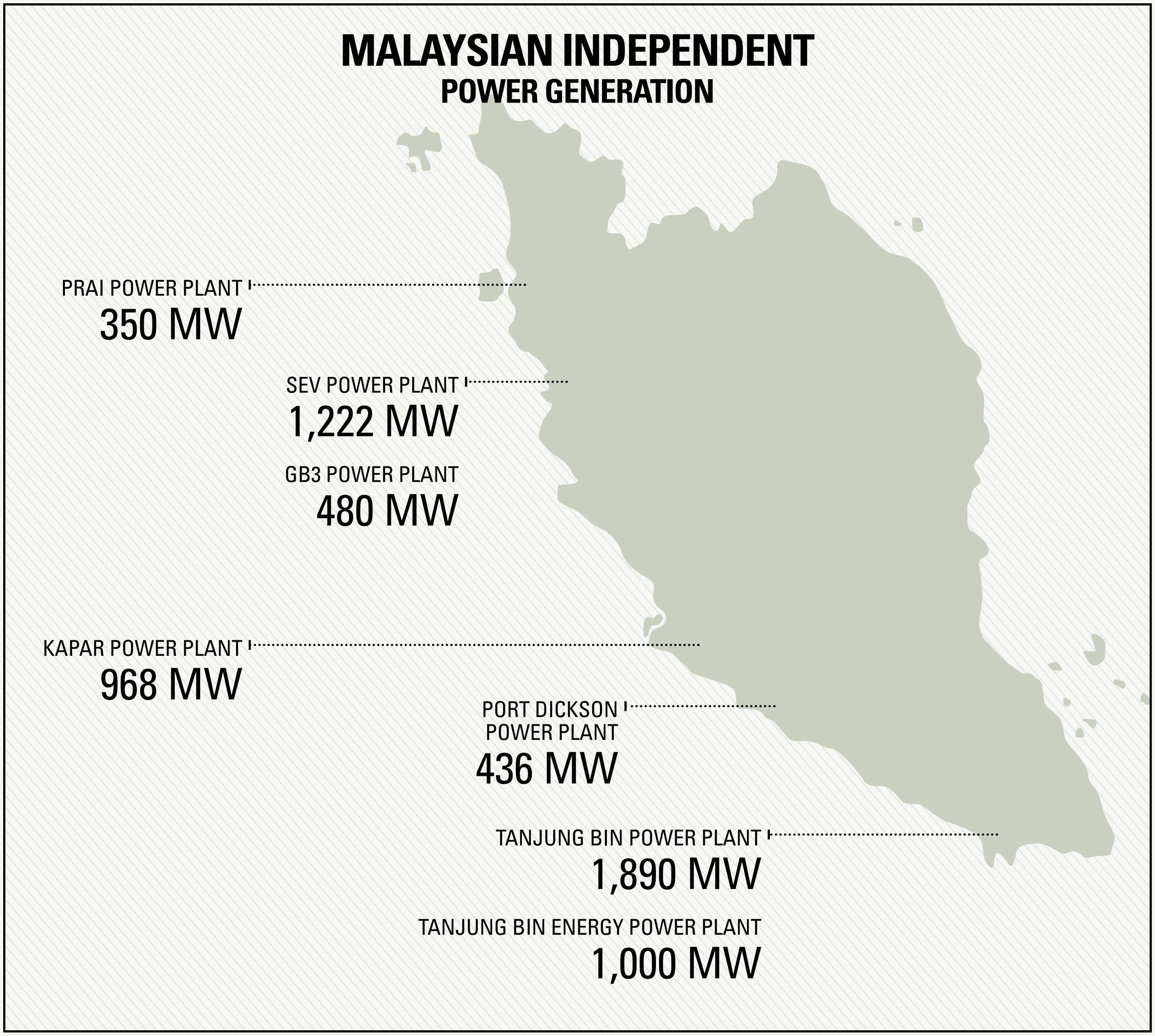
Please join me in extending a warm welcome to our new Group Managing Director, Datuk Wira Azhar bin Abdul Hamid, who came on board Malakoff as of 1 May 2016. He brings to the table extensive leadership experience having served in several multinational corporations at the board and senior management levels. We certainly look forward to his contributions as he leads the Malakoff team forward onto new heights of success.

As Malakoff ventures forth to embrace new opportunities and rise above all challenges, I trust all our stakeholders will continue to give us their unstinting support. Thank you.

Tan Sri Dato' Seri Syed Anwar Jamalullail
Chairman

DOMESTIC AND INTERNATIONAL FOOTPRINT

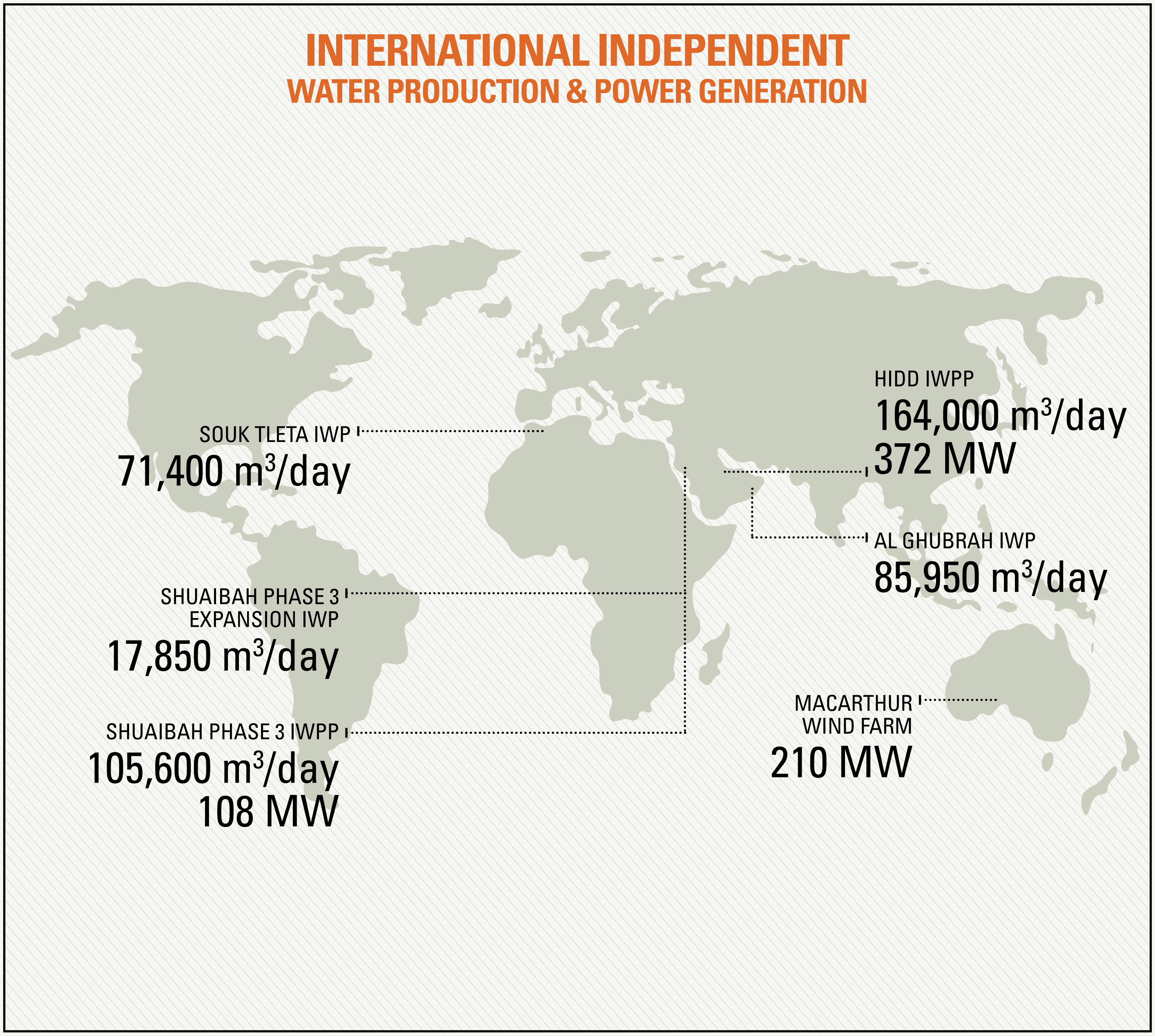
AS AT 31 DECEMBER 2016



TOTAL EFFECTIVE POWER GENERATING CAPACITY

MALAYSIA	INTERNATIONAL
6,346MW	690MW

DOMESTIC AND INTERNATIONAL FOOTPRINT
AS AT 31 DECEMBER 2016



TOTAL EFFECTIVE WATER PRODUCTION CAPACITY

444,800 M³/DAY

Dear Shareholders,

COMMITTED TO BUILDING TOMORROW'S ENERGY SYSTEMS, TODAY

Building on its position as the pre-eminent Independent Power Producer ("IPP") in Malaysia, Malakoff Corporation Berhad ("Malakoff") has applied its inherent skills and strengths honed in the domestic market to invest in a wide range of power and water assets overseas. Global energy and water demands are rising and so are consumer expectations for constant availability on tap. As the world shifts towards a new, low-carbon energy future, Malakoff is taking steps today to help build the energy systems of tomorrow by introducing the latest clean-burning coal technologies and exploring innovative renewable energy solutions such as wind and solar power.

DATUK WIRA AZHAR ABDUL HAMID
Group Managing Director

GROUP MANAGING DIRECTOR'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

Malakoff has grown from strength to strength since its inception and is today a global energy and water company in more than seven countries in Southeast Asia, the Middle East and North Africa, and Australia. Malakoff aims to help meet the energy needs of society in ways that are economically, environmentally and socially responsible by working together with all stakeholders in productive partnerships and by being a responsible operator and a good corporate citizen in all the communities where the Group operates.

Malakoff has successfully transitioned from being a local operator to becoming a respected firm developing our business internationally. It is also satisfying to know that even as we hold ourselves to the highest standards of quality, our facilities are being operated and maintained in a manner which is both highly efficient and economical. All 1,074 of our people, at all levels of our organisation, have played a vital part in ensuring our success. I applaud the team for their commitment and dedication in ensuring we move forward as one company despite the challenges present in our operating environment. It is now my duty to continue to manage and promote the active stewardship of our assets at home and abroad to the highest standards in order to continue to create long-term value for our shareholders.

STEADFAST PROGRESS AMIDST CHALLENGING MARKET CONDITIONS

Overall, market conditions in Malaysia remained competitive in 2016. Despite the challenges of a slowing economy and declining exchange rate for the Malaysian Ringgit, Malakoff continued to maintain its position as the leading power generation company in Malaysia and the underlying strong operational performance during the year was maintained at home and abroad.

In Malaysia, GDP growth slowed to 4.2 percent in 2016 (2015: 5%). The inflow of foreign direct investment eased in comparison to previous years. A relatively stable political environment and strong economic fundamentals underpinned the economy with continuing emphasis placed on transport infrastructure, services and exports. Opportunities for private sector led growth leveraged on the proximity to Singapore and key South East Asian markets. On the downside, potential investors saw risks of burgeoning inflation and a widening budget deficit which was mainly due to the impact of lower oil prices and a weakening Ringgit.

Domestic energy demand in Malaysia slightly levelled in 2016 at 17,500 megawatt ("MW"), while installed capacity rose to 23,000 MW providing a reserve margin of 29 percent. The government has set a target to achieve a cumulative solar capacity of 1000 MW by 2020, commencing with 350 MW in 2017.

While 2016 has proven to be a challenging year for Malakoff, three important milestones were attained to strengthen the Group's operations, one on the international scene and two here at home in Malaysia.

The Group achieved a major milestone when the newly built 1,000 MW coal-fired Tanjung Bin Energy ("TBE") Power Plant, completed testing and commissioning and subsequently achieved its commercial operations date ("COD") on 21 March 2016. Located on a 65 hectare parcel of land in the south-western region of Johor adjacent to the existing 2,100 MW Tanjung Bin ("TBP") Power Plant, this plant is currently supplying its generating capacity to Tenaga Nasional Berhad ("TNB"), under a 25-year Power Purchase Agreement ("PPA").

The TBE Power Plant is utilising ultra-supercritical technology, the most efficient coal combustion technology commercially available. Low nitrogen oxide ("NOx") burners, a seawater flue gas desulphurisation system, and a high-ratio fabric filter offer state-of-the-art emissions control. This technology has been known to achieve efficiencies of up to 47 percent, well above the global average rate of existing power plants of about 30 percent, while lowering fuel consumption and emissions.

As testament to its advanced design, technology and successful timely completion, the TBE Power Plant was hailed the Coal Power Project of the Year (Gold) at the *Asian Power Awards* event in September 2016. It also received the Coal Top Plant 2016 Award from *Power Magazine* a month later.

The Port Dickson ("PD") Power Plant, on the West Coast of Peninsular Malaysia, was awarded a three-year extension period in relation to its existing PPA in December 2015. The extension came into effect in March 2016. The 436 MW OCGT gas turbine power plant that supplies electricity to the national grid for peaking and emergency requirements is 100% owned via our wholly owned subsidiary, Hypergantic Sdn Bhd. Over the past 22 years, it has repeatedly set exemplary performance standards in terms of its availability and commercial starting reliability.

Our new venture in Oman on the southern Arabian Peninsula reached a major milestone during the year. The Al Ghubrah Independent Water Project (Sultanate of Oman) achieved COD on 19 February 2016. Malakoff International Limited ("MIL") led the consortium that was awarded the contract to build, own and operate the plant using reverse osmosis technology. The project is expected to deliver up to 191,000 m³/day of water over a period of 20 years. Since operations commenced the plant has been performing as anticipated with a recorded average availability of 88 percent.

GROUP MANAGING DIRECTOR'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

OUR BUSINESS AND STRATEGIES FOR SUSTAINABLE GROWTH

Malakoff is a leading independent power and water producer in Asia with core businesses that include power generation, water desalination and operation and maintenance services. In Malaysia, we own an effective generation capacity of 6,346 MW comprising seven power stations that run on gas, oil and coal. On the international front, we own an effective capacity of 690 MW of power and 444,800 m³/day of water desalination. These projects are located in Saudi Arabia, Bahrain, Algeria, Oman and Australia. Furthermore, Malakoff provides services through its wholly-owned subsidiary companies in operation and maintenance services ("O&M"), electricity and chilled water distribution and project management services for in-house and external projects.

Malakoff's IPP energy assets in Malaysia are still the mainstay of the business yielding the lion's share of the Group's profits. As we anticipate pressure on margins owing to rivalry among existing competitors, the prospect of PETRONAS entering into vertical integration with gas-to-power, and Sabah and Sarawak being heavily influenced by local participants, we are implementing a strategy of business diversification beyond power generation to service new customers in O&M services, electricity distribution, district cooling, property and other related ventures.

In the shorter-term there are limited new opportunities in the domestic power generation industry. However, the government's progressive direction towards achieving a cumulative solar capacity of 1000 MW by 2020, commencing with 350 MW in 2017 is providing new opportunities for the Group. As a result of the limited prospects at home, even after taking into account a limited diversification programme and our entrance into renewable energy, there is a need to aggressively explore opportunities overseas, focusing on mergers and acquisitions to ensure profitable and sustainable growth.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016 ("FY2016"), the Group's revenue increased by 15 percent to RM6,098.4 million from RM5,302.0 million in FY2015. This increase came on the back of revenue contributions by Tanjung Bin Energy Sdn Bhd pursuant to the commencement of its COD on 21 March 2016.

The Group turned in a Profit after Tax and Minority Interest ("PATMI") of RM355.5 million, a 21 percent drop from RM452.4 million in FY2015. The lower result was mainly attributable to additional depreciation due to the change in estimated residual values of gas-fired power plants, plus a lower contribution from Port Dickson Power Berhad due to lower tariff of the extended PPA. The year's performance was also affected by higher maintenance costs offset by higher contributions from our associates, insurance claims on rotor replacement, and lower finance costs following the redemption of the unrated Junior Sukuk Musharakah in 2015.

As at 31 December 2016, the cash and cash equivalents of the Group increased to RM3,006.8 million from RM2,853.3 million as at 31 December 2015. Other investments which represents deposit placements with more than three months maturity, increased to RM1,403.8 million from RM629.2 million. The increase was mainly due to the cashflow generated from operations of RM2,364.6 million against RM1,899.3 million in the preceding year. The increase in cash came on the back of contributions from TBE Power Plant which commenced operations in March 2016. There was also a decrease in cash used for investing activities mainly due to the lower capital expenditure ("CAPEX") incurred in FY2016.

We incurred CAPEX of RM468.9 million for FY2016 in comparison to RM1,430.4 million incurred in FY2015. The majority of our CAPEX expenditure was related to our power plants, in particular for the final phase of construction and development of the TBE power plant as well as C-inspection costs for Segari Energy Ventures Sdn. Bhd. ("SEV") power plant.

As at the year's end, the Group's gearing ratio stood at 2.86 times in comparison to 2.90 times as at end December 2015. This gearing ratio is calculated as total debts divided by total equity.

The Group's shareholders' equity as at 31 December 2016 stood at RM5,915.7 million, an increase of RM150.6 million over the previous financial year. The increase was mainly due to net profit for the year and reserves offset by total dividend payment.

Moving forward, there are certain transactions that will affect the Group's results for the financial year ending 31 December 2017, among which is the expiry of the existing SEV PPA in June 2017. The new SEV PPA, which will take effect upon expiration of the existing SEV PPA stipulates lower levelised tariffs as compared to the existing SEV PPA. Notwithstanding the above, the Group continues to implement strategic initiatives to secure growth opportunities for the future. In addition, the Group is focusing on enhancing efficiencies throughout its operations and hence expects the results to be sustainably positive for the financial year ending 31 December 2017.

As at end 2016, the Group had authorised CAPEX amounting to RM559.1 for property, plant and equipment but has not contracted this out as yet. Some of this CAPEX is being apportioned for improvements that are being made to the coal handling facilities in Tanjung Bin as a measure to reduce long-term costs.

BUSINESS SEGMENT AND OPERATIONS REVIEW

The Malakoff Group is helping to power Malaysia towards attaining its vision of becoming a fully industrialised and developed nation. This section of the annual report records the hard-earned successes we have achieved in improving operational efficiency in the power plants and the breakthroughs we have made in the international arena.

GROUP MANAGING DIRECTOR'S MESSAGE
AND MANAGEMENT DISCUSSION AND ANALYSIS

DOMESTIC POWER GENERATION

Malakoff continues to hold its position as the largest Independent Power Producer ("IPP") in Malaysia. The year 2016 saw a great leap forward in Malakoff's effective domestic power generation capacity from 5,346 MW to 6,346 MW when the new 1,000 MW coal-fired TBE Power Plant started feeding into the national grid, supplying electricity to TNB on its commercial operation date ("COD") of 21 March 2016. Taking into account this added generating capacity, we now command a respectable 27.8 percent market share of the total installed generating capacity in Peninsular Malaysia.

Inclusive of the TBE Power Plant, our domestic power generation assets comprise two coal-fired thermal plants, three combined-cycle gas turbine ("CCGT") power plants, and an open-cycle gas turbine ("OCGT") power plant. We also have a 40 percent stake in one power plant with multi-fuel generation facilities, namely Kapar Energy Ventures Sdn Bhd ("KEV"). Our coal-fired power plants, account for approximately 38 percent of Peninsular Malaysia's total installed coal-fired generation capacity.

Malakoff sells all the power generated by domestic plants to TNB under long-term Power Purchase Agreements ("PPAs").

OVERVIEW OF MALAKOFF'S DOMESTIC AND INTERNATIONAL POWER AND WATER ASSETS AS AT 31 DECEMBER 2016

Plant Name	Location	Plant type	PPA expiration	Generating Capacity	Effective Equity Participation	Effective Capacity
Tanjung Bin Energy Power Plant	Malaysia	Coal	2041	1,000.0 MW	100.0%	1,000.0 MW
Tanjung Bin Power Plant	Malaysia	Coal	2031	2,100.0 MW	90.0%	1,890.0 MW
SEV Power Plant	Malaysia	CCGT	2027	1,303.0 MW	93.75%	1,221.6 MW
Kapar Power Plant	Malaysia	Multi-Fuel	2019/29	2,420.0 MW	40.0%	968.0 MW
GB3 Power Plant	Malaysia	CCGT	2022	640.0 MW	75.0%	480.0 MW
Port Dickson Power Plant	Malaysia	OCGT	2019	436.0 MW	100.0%	436.0 MW
Prai Power Plant	Malaysia	CCGT	2024	350.0 MW	100.0%	350.0 MW
Shuaibah Phase 3 Expansion IWP	Kingdom of Saudi Arabia	Water	2029	150,000m^3/day	11.9%	17,850 m^3/day
Shuaibah Phase 3 IWPP	Kingdom of Saudi Arabia	Water & Power	2030	880,000m^3/day 900.0 MW	12.0%	105,600 m^{3}day 108.0 MW
Souk Tleta IWP	Algeria	Water	2036	200,000 m^3/day	35.7%	71,400 m^3/day
Hidd IWPP	Bahrain	Water & Power	2027	410,000 m^3/day 929.0 MW	40.0%	164,000 m^3/day 372.0 MW
Macarthur Wind Farm	Australia	Power	2038	420.0 MW	50.0%	210.0 MW
Al Ghubrah Independent Water Project	Sultanate of Oman	Water	2034	191,000 m^3/day	45.0%	85,950 m^3/day
Total Effective Power Generation Capacity						**7,036.0 MW**
Total Effective Water Production Capacity						**444,800m^3/day**

CCGT: Combined Cycle Gas Turbine

OCGT: Open Cycle Gas Turbine

The TBP, Prai, PD, SEV and GB3 power plants are all compliant with the MS ISO 9001 Quality Management System, OHSAS 18001, MS 1722 Occupational Safety and Health Management System as well as ISO 14001 Environmental Management System and ISO 27001 Information Security Management System standards.

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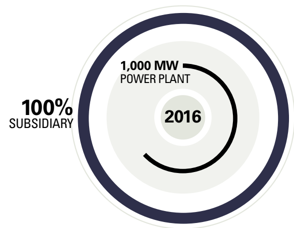
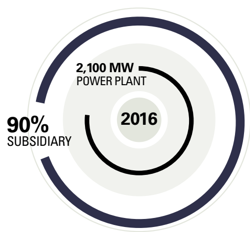
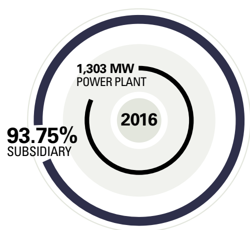
TANJUNG BIN ENERGY POWER PLANT



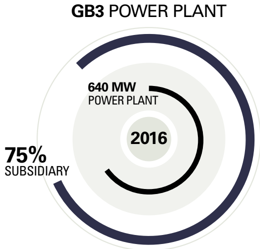
TANJUNG BIN POWER PLANT



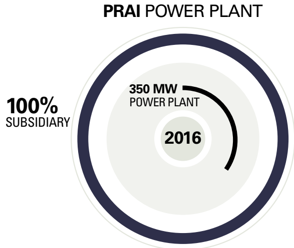
SEV POWER PLANT



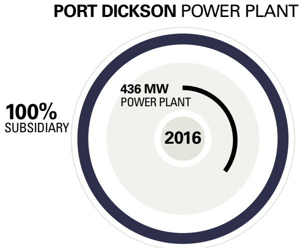
GB3 POWER PLANT



PRAI POWER PLANT



PORT DICKSON POWER PLANT



SUBSIDIARY-OWNED POWER PLANTS

Tanjung Bin Energy ("TBE") Power Plant

In March 2016, Malakoff successfully completed the construction of its new 1,000 MW coal-fred TBE Power Plant. The new plant is located on 65 hectares of land in the southwestern region of Johor, adjacent to the existing 2,100 MW TBP Plant. The testing and commissioning activities were completed successfully between October 2015 and March 2016 and the plant subsequently achieved its commercial operation date ("COD") on 21 March 2016.

The construction was undertaken by a consortium comprising Alstom Power System SA, Alstom Services Sdn Bhd, Shin Eversendai Sdn Bhd and Mudajaya Corporation Bhd under a turnkey Engineering, Procurement and Construction ("EPC") contract. The operation and maintenance of the plant is being undertaken by Malakoff Power Berhad, a wholly-owned subsidiary of Malakoff and the same Operation & Maintenance ("O&M") contractor for the existing TBP Plant. The plant is currently supplying its generating capacity to the offtaker, TNB, under a 25-year PPA with TNB.

The plant features ultra-supercritical technology, including a supercritical steam turbine and generator, a boiler and plant auxiliaries which provide the most effcient coal combustion technology currently on the market thereby minimising the plant's impact on the environment. The timely completion of the plant enables Malakoff to capitalise on increasing electricity demand as well as the increasing role of coal fired power generation in Malaysia. In recognition of its advanced design and technology and successful timely completion, TBE Power Plant won the Coal Top Plant 2016 Award by *Power Magazine* in October 2016.

In its first year of commercial operation, the plant delivered a total of 4,786.9 gigawatt-hours ("GWh") of electricity to the national grid, achieving an average capacity factor of approximately 69.74 percent for 2016. The plant recorded an average equivalent availability factor of 79.72.

Tanjung Bin Power ("TBP") Plant

Malakoff has a stake in the TBP Plant through our 90 percent subsidiary, Tanjung Bin Power Sdn Bhd. The 2,100 MW power plant is the first private coal-fired power plant in Malaysia and one of the biggest independent coal-fired power plants in SEA based on generation capacity. It consumes various types of bituminous and sub-bituminous coal imported from Australia, Indonesia, Russia and South Africa and is installed with clean coal technologies including an electrostatic precipitator and flue gas desulphurisation units. The TBP Plant continues to play a vital anchor role supplying power to the national grid.

Since the successful completion of the plant's turnaround upgrade, involving major modification works to the boilers and the overhaul of the steam turbine over the course of 2015 up until February 2016, it has maintained a commendable performance. In terms of electricity generation, the TBP Plant supplied approximately 15,263 GWh of electricity to the national grid in 2016, at an average capacity factor of 82.74 percent. The plant's equivalent availability factor, improved from 77.80 percent in the previous year to 83.71 percent in 2016 and the unplanned outage rate ("UOR") of 4.79 percent was well-maintained below the threshold under the PPA, signifying improved reliability at the plant as a result of the successful turnaround.

In 2016, several major improvement projects in relation to coal handling began in phases to ensure the uninterruptable supply of coal to the TBP Plant and the adjacent new TBE Power Plant.

SEV Power Plant

We have a stake in the 1,303 MW SEV Power Plant via Malakoff's 93.75 percent-owned subsidiary, Segari Energy Ventures Sdn Bhd ("SEV"). Now in its 21st year of commercial operation, this plant is the largest CCGT power plant owned by an IPP in Malaysia. The SEV Power Plant is set to continue selling its electricity to TNB following an award received from the Energy Commission in 2013 for a 10-year extension of the PPA term until June 2027.

The SEV Power Plant continues to maintain an optimal performance level in terms of availability, reliability and efficiency. In the year under review, it achieved an average capacity factor of approximately 63.90 percent and delivered approximately 7,313 GWh of electricity to the national grid. The

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plant also registered an availability factor of 89.76 percent, thereby exceeding the threshold under the PPA with TNB.

GB3 Power Plant

Malakoff has a stake in the GB3 Power Plant through 75 percent-owned subsidiary, GB3 Sdn Bhd. Located adjacent to the SEV Power Plant, GB3 is another CCGT power plant. In its 15th year of commercial operation, the plant delivered a total of 1,138 GWh of electricity to the national grid, achieving an average capacity factor of approximately 20.24 percent in 2016, which is a decline from the previous year's generation. However, the plant maintained a high equivalent availability factor of 95.08 percent, a distinct improvement from the previous year.

The lower generation dispatch in 2016 from the SEV and GB3 power plants, collectively known as the Lumut Power Plant, was due to the commercial operations of newer and more efficient neighbouring power plants which put both SEV and GB3 power plants lower in the merit order of dispatch. Nevertheless, the Lumut Power Plant continued to demonstrate its proven reliability despatching power on demand.

Prai Power Plant

Through the Group's wholly owned subsidiary Prai Power Sdn Bhd, Malakoff owns the combined cycle Prai Power Plant. This CCGT plant features one gas turbine, one heat recovery steam generator and one steam turbine with a unique single shaft configuration that provides reliable, efficient and low emission power supply to the national grid at a dependable capacity of 350 MW. This plant is known to be one of the most efficient natural gas-fuelled power plants in Malaysia. In 2016, it recorded a net efficiency (lower heating value) of 51.10 percent.

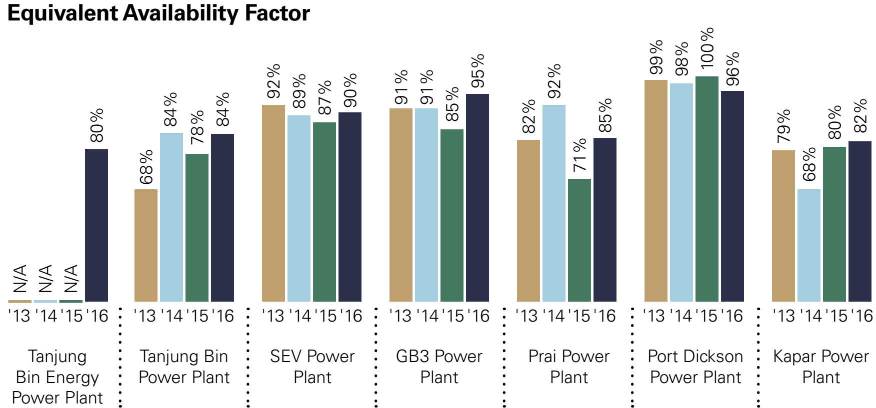
In commercial operation since 2003, the Prai Power Plant delivered a total of 1,481 GWh of electricity to the national grid in 2016. It also recorded an average capacity factor of 48.88 percent while registering an equivalent availability factor of 84.93 percent.

As a testament to the Prai Power Plant's high level of health, safety, security and environment ("HSSE") awareness, the plant has again marked a major HSSE milestone after accomplishing an impressive record of 4.004 million man-hours worked without a single Lost Time Injury ("LTI") for the past 13 consecutive years since its COD.

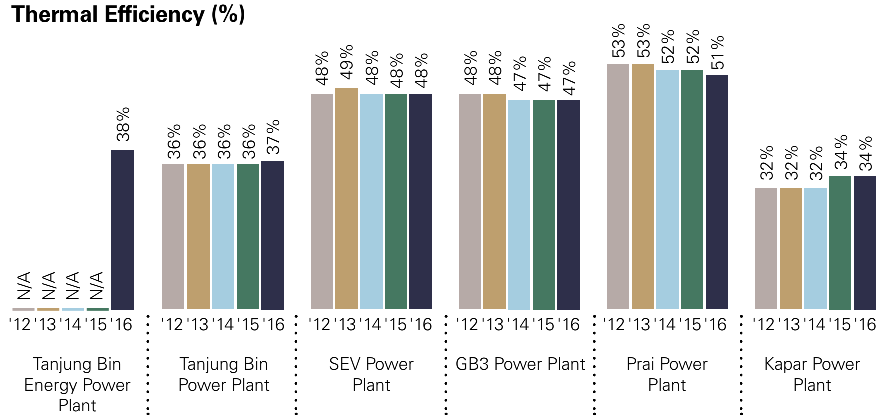
Port Dickson ("PD") Power Plant

The Group's PD Power Plant is a 436 MW OCGT gas turbine power plant that supplies electricity to the national grid for peaking and emergency requirements. Following the acquisition in May 2014 of the remaining 75 percent equity interest in the facility via our wholly owned subsidiary, Hypergantic Sdn Bhd, Malakoff now has a 100 percent stake in the plant.

Equivalent Availability Factor



Thermal Efficiency (%)



Total Electricity Sold

Power Plants	2013 (TWh)	2014 (TWh)	2015 (TWh)	2016 (TWh)
Tanjung Bin Power Plant	11.8	15.3	14.2	15.3
Tanjung Bin Energy Power Plant	NA	NA	NA	4.8
SEV Power Plant	8.0	8.0	7.8	7.3
GB3 Power Plant	2.0	1.9	2.5	1.1
Prai Power Plant	2.0	2.1	1.6	1.5
Port Dickson Power Plant	0.6	0.6	0.5	0.2

1TWh = 1000GWh

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Over the past 22 years, the PD Power Plant has repeatedly set exemplary performance standards in terms of its availability and commercial starting reliability. In 2016, the PD Power Plant delivered a total of 179.0 GWh of electricity to the national grid. Being an open cycle power plant, the facility recorded an average capacity factor of 4.06 percent while registering an equivalent availability factor of 95.88 percent.

On 14 December 2015, the PD Power Plant received a conditional letter of award for a three-year extension period effective 1 March 2016 following the expiry of the existing PPA on 21 January 2016. On 12 February 2016, a new PPA was executed, marking the extension for the PD Power Plant.

ASSOCIATE-OWNED POWER PLANT

Kapar Power Plant

Malakoff has a 40 percent stake in the Kapar Power Plant via KEV. Also known as the Sultan Salahuddin Abdul Aziz Power Plant, the plant boasts a total generating capacity of 2,420 MW comprising the following facilities utilising multi-fuel sources:

- Generating Facility 1 (GF1): 2x300 MW Dual-Fuel Firing (gas and oil)
- Generating Facility 2 (GF2): 2x300 MW Triple-Fuel Firing (coal, gas and oil)
- Generating Facility 3 (GF3): 2x500 MW Dual-Fuel Firing (coal and gas)
- Generating Facility 4 (GF4): 2x110 MW Open Cycle Gas Turbine

In 2016, the plant delivered a total generation of 11,474 GWh to the national grid and recorded an equivalent availability factor of 81.57 percent.

INTERNATIONAL ASSETS

Macarthur Wind Farm (Australia)

The acquisition of a 50 percent interest in the Macarthur Wind Farm in 2013 marked the Group's first venture into the renewable energy ("RE") market as well as its entry into the Australian continent. The Macarthur Wind Farm is located in the state of Victoria and is the largest wind farm in the southern hemisphere.

The state-of-the-art Macarthur Wind Farm features 140 Vestas V112 – 3.0 MW wind turbines, the largest wind farm installed in Australia. With a capacity of 420 MW, this is sufficient to power more than 220,000 average sized homes in Victoria and avoid the emission of 1.7 million tonnes of greenhouse gases annually. This is in line with the Australian government's Renewable Energy Target ("RET") of about 23.5 percent of Australia's electricity to come from renewable resources by 2020. In 2016, the plant achieved an equivalent availability factor of 97.9 percent.

Shuaibah Phase 3 Independent Water and Power Project (Saudi Arabia)

In the gulf region, Malakoff has a 12 percent effective stake in the Shuaibah Phase 3 Independent Water and Power Project ("IWPP"), which is located near Jeddah in the Kingdom of Saudi Arabia. The project is the Group's first overseas venture and consists of a 3x300 MW crude oil-fired power plant and 880,000 m^3/day Multi-Staged Flash Distillation Unit for the desalination of sea water. The project was executed on a Build, Own and Operate ("BOO") basis under a 20-year Power and Water Purchase Agreement ("PWPA") with the Water and Electricity Company of Saudi Arabia. Now in its seventh year of operation, two scheduled outages of the boiler for major works and a scheduled outage of the steam turbine for major overhaul were implemented to maintain the plant's reliability. During the year in review, the plant recorded an availability factor of 91.3 percent for both power generation and water production respectively.

Shuaibah Phase 3 Expansion Independent Water Project (Saudi Arabia)

Malakoff expanded its market share in the water production business with an 11.9 percent interest in the Shuaibah Expansion Project Company Ltd. The Shuaibah Phase 3 Expansion Independent Water Project has a capacity of 150,000 m^3/day and utilises reverse osmosis technology to desalinate sea water. Since its commissioning in 2009, the plant has continued to perform well. In 2016 it recorded a high availability factor of 96.1 percent.

Souk Tleta Independent Water Project (Algeria)

The Group made its maiden foray into the North African region via an effective 35.7 percent stake in the Souk Tleta Independent Water Project. The 200,000 m^3/day plant which is located in the Wilaya of Tlemcen in Algeria, uses reverse osmosis technology to desalinate sea water. Since achieving its COD in April 2011, Malakoff has invested significant resources and technical expertise in ensuring that the plant maintains an optimal performance availability rate of 95 percent.

Al Hidd Power Generation and Water Desalination Plant (Bahrain)

The 40 percent stake held in the Al Hidd Independent Water and Power Plant is the Group's largest overseas investment in water desalination. Comprising three phases, including a gas-fuelled combined cycle gas turbine, the plant has a total power generation capacity of 929 MW and a water production capacity of 410,000 m^3/day, using Multi Stage Flash ("MSF") and Multi Effect Distillation ("MED") technology. The plant continued to perform steadily and has achieved an average availability factor of 97 percent and 94.5 percent for power generation and water production respectively in 2016.

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Al Ghubrah Independent Water Project (Sultanate of Oman)

Malakoff International Limited ("MIL") led a consortium that was awarded the contract to build, own and operate the Al Ghubrah Independent Water Project using reverse osmosis technology. The consortium consists of Malakoff and Sumitomo which each hold a 45 percent interest in Muscat City Desalination Company SAOC ("MCDC"), while Cadagua owns the remaining 10 percent. Under a Water Purchase Agreement ("WPA") with the Oman Power and Water Procurement Co, the project is designed to deliver up to 191,000 m^3/day of water over a period of 20 years. The project achieved its COD on 19 February 2016. Since operations commenced the plant has been performing as anticipated with a recorded average availability of 88 percent.

OPERATION AND MAINTENANCE

The Group's portfolio of power generation and water production assets is complemented by our strong Operation and Maintenance ("O&M") capabilities. Today, we deliver O&M services through our wholly-owned subsidiaries Malakoff Power Berhad ("MPower") and Teknik Janakuasa Sdn Bhd ("TJSB"). While MPower is responsible for servicing the Group's power plants in Malaysia, TJSB is tasked with looking after the Group's associates, joint venture partners as well as third-party clients, both locally and abroad.

To date, the Group has 21 years of O&M experience under its belt and a proven track record of operating different types of power plants. These include CCGT, OCGT and coal-fired plants as well as multi-stage flash desalination plants, reverse osmosis plants and multi-effect distillation and co-generation plants. We approach O&M performance improvement activities in a systematic manner centering our efforts on strengthening capability development. Our continual improvement efforts all aim to ensure that our assets perform at sustainable, world-class standards.

Domestic O&M Business

On the home front, we continue to make long-term investments in cutting-edge O&M tools and methodologies such as Reliability-Centred Maintenance and Root Cause Analysis. As usual, upgrading projects were scheduled during the year to enhance the capabilities and reliability of the Group's plants, while major maintenance and inspection activities were also undertaken to meet the high reliability and availability targets.

International O&M Business

Building upon over a decade of O&M experience on the domestic front, Malakoff continues to strengthen its O&M foothold in the international arena. Our efforts to date have seen us successfully securing and executing O&M contracts with a range of third party clients, notably in the Middle East and North Africa ("MENA") region. The Group's wealth of O&M experience encompasses O&M services for coal-fired, CCGT and OCGT power plants, the provision of technical, simulator and audit training as well as overhaul services. Through expanding our O&M business in a particular market or region, we have the benefit of familiarising ourselves with the local business environment before committing to any capital investment. This entry strategy has proven to be a fruitful one thus far.

In 2016, TJSB continued to meet clients' O&M needs throughout Asia and the Middle East. TJSB through its subsidiary, TJSB Middle East Ltd. The latter operates and maintains the 1200 MW Azzour South Combined Cycle Power Plant in Kuwait under a four-year Operation and Maintenance Management Services contract with Alghanim International General Trading and Contacting Co. W.L.L. The plant recorded a commendable performance with an average availability factor of 94.5 percent.

In Indonesia, TJSB via its local subsidiary PT Teknik Janakuasa, operates and maintains the Merak Coal Fired Power Plant with a capacity of 120 MW and 55 tonnes/hour steam generation. Good teamwork between our staff and the Owner's personnel achieved an average plant availability factor of 92.5 percent.

In the Kingdom of Saudi Arabia, TJSB and its consortium partners manage the operation and maintenance contracts for the Shuaibah III Independent Power and Water Plant ("IWPP") and Shuaibah III - Expansion IWP. The plant recorded an average availability

GROUP MANAGING DIRECTOR'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

factor of 90.3 percent for power generation and 90.5 percent for the water desalination facility. The Shuaibah III IWP recorded a slightly better availability of 96.6 percent water production.

Plant improvement initiatives are currently under planning and execution for the 200,000 m³/day Souk Tleta Water Desalination Plant in Algeria spearheaded by the consortium of the O&M Operator of Hyflux Engineering Ltd. in partnership with TJSB Global Sdn Bhd. These plans are part of the Operator's commitment to ensure consistent improvement and sustainable plant availability in long run.

TJSB marked a milestone in 2016 when together with its consortium partner, Sumitomo Corporation of Japan, it started operating Al Ghubrah Independent Water Plant with a plant capacity of 190,000 m^3 water per day in Oman, following its COD on 19 February 2016. The plant availability factor is 99.18 percent.

TJSB's operations teams currently maintain up to 7,537 MW of power and 1,421,000 m³/day of water desalination facilities worldwide. The team has achieved remarkable success since our establishment in 1993.

Throughout the year, TJSB actively participated in corporate branding and networking activities through participation in the Philippines and Indonesia Energy Conference. Towards the end of 2016, TJSB through its subsidiary PT Teknik Janakuasa has opened an office in Jakarta to improve their brand visibility in and aggressively promote O&M services to potential clients in Indonesia.

Maintenance, Repair and Overhaul Services

To consolidate Malakoff's position as a leading IPP and O&M provider, the Group also offers a Maintenance, Repair and Overhaul ("MRO") service that significantly reduces the overall maintenance cost of plants, via a wholly-owned subsidiary of TJSB named TJSB Services, either as part of an O&M package or as an independent offering.

TJSB provides MRO solutions covering a wide spectrum of power-related facilities and equipment to both local and overseas clients. Its range of services includes major and minor overhauls of thermal and gas plants, engineering field services, as well as cost-effective solutions for customers requiring original equipment manufacturer ("OEM") support.

And as part of a strategy to be a one-stop centre for power plant operations and maintenance services TJSB is also internally developing, marketing and managing re-engineered manufacturing and refurbishment of gas turbine parts and other plant auxiliaries. By strategically partnering global and capable Independent Service Providers, TJSB intends to further develop its in-house capabilities and expertise and prepare for expansion in 2017 and beyond.

Looking ahead, TJSB will continue to explore O&M and MRO opportunities either independently or with partners in the MENA and SEA regions.

Technical Support Group

The Group's mounting O&M activities are complemented by the Technical Support Group ("TSG") which has the responsibility for reviewing relevant internal processes and making recommendations so as to achieve performance targets. TSG continually identifies, studies and implements improvement initiatives at all plants, to ensure higher plant availability and reliability. It has led and participated in failure investigations and root cause analyses with the aim of avoiding recurrences. It has also rendered support in terms of unit and part assessments during outages or inspections relating to gas turbines, steam turbines and boilers.

In 2016, TSG continued to lend its engineering expertise towards overall plant improvement with the implementation of projects, which require CAPEX, across all Malakoff operated power plants locally from feasibility study, design and engineering, technical evaluation and implementation, up to the completion stage. TSG's contributions to Coal-Fired Power Plants ("CFPPs") were mainly on Boiler Pressure Parts Assessment adopting a Risk Based Inspection or RBI approach during plant outages. The RBI concept implemented through comprehensive development and improvement programmes included an Integrated Database Management System ("IDMS") Software Project successfully executed for TBP Plant and TBE Power Plant.

TSG also led the implementation of Process Safety Management ("PSM") at TBP Plant and plans to replicate the same process for other Malakoff plants next year. TSG's commitment to excellence was demonstrated in the preparation of the contingency plan for boiler tube spares, a boiler tube materials study, and the installation of additional superheater and reheater thermocouples at the newly-commissioned TBE Power Plant. TSG was also instrumental during plant outages in conducting boiler inspection and parts assessment. Successful improvement works are crucial to ensure all CFPPs can deliver sustainable output, safely and reliably.

TSG's contributions to other CCGT power plants include optimisation of the firing function of the Gas Turbine 13 SEV Power Plant for base load adjustment; gas turbine inspection support during plant outages; and technical reviews on insurance claims on major equipment breakdowns among other things.

During the year, TSG continued to lead various technical studies such as Risk Based Inspection and Root Cause Analysis. The recommended actions derived from the studies are being implemented to address plant issues and mitigate operational risks. Besides support to locally-operated power plants, TSG is also involved in supporting overseas power plants with a technical study for valve and piping failure for the Al-Ghubrah Plant in Oman and a technical attachment during a plant outage at the Merak Power Plant in Indonesia.

ELECTRICITY DISTRIBUTION AND CHILLED WATER SUPPLY

Malakoff Utilities Sdn Bhd ("MUSB"), the Group's wholly-owned subsidiary, is a leading electricity distribution and district cooling plant infrastructure owner and operator in Malaysia. MUSB holds the exclusive license to distribute electricity within Kuala Lumpur Sentral ("KL Sentral"), the prestigious 72-acre development in Kuala Lumpur, with the capacity to meet offtake up to 100 MW. Currently, maximum demand only reaches 54 MW, so there is still scope for increasing sales. MUSB's customer base continues to expand in tandem with the on-going development of KL Sentral as a business and transportation hub. The rising demand trend is expected to accelerate in the near future with the completion of new properties such as the St Regis Hotel & Residences, and Sentral Residences.

MUSB started supplying chilled water to KL Sentral in 2001 and employed the latest thermal energy storage ("TES") technology in 2011. The total chiller capacity at the district cooling plant utilising the latest TES technology reaches 14,140 refrigerant tonnes and can cater up to 17,000 refrigerant tonnes at peak demand. MUSB promotes sustainable and improved energy utilisation whilst reducing the environmental impact of its operations.

In 2016, MUSB successfully recertified to ISO9001:2015 the International Standard that specifies the requirements for a quality management system that will deliver consistent products and services that meet customer needs as well regulatory requirements. MUSB gauges its performance through continuous customer feedback to ensure it meets its customers' expectations and improves operations and services. In 2016, MUSB achieved a customer satisfaction rating of more than 85 percent by delivering courtesy, care and attention to detail for an excellent customer experience. For the greater convenience of its customers, during the year MUSB added JOMPay to its multiple payment channels.

Moving forward, MUSB is actively exploring opportunities to extend its activities beyond the KL Sentral site. With an established record of accomplishment and leveraging on the Group's synergies, it is exploring the prospect of embarking on new ventures as a multiple utility provider.

CORPORATE SERVICES

Information Technology

Information Technology ("IT") is utilised throughout the Group's operations to improve work processes, preserve data confidentiality and integrity, and in automating business processes for greater efficiency. IT also plays an important role in the Group's Business Continuity Planning ("BCP") initiative which is aimed at ensuring business resilience in the face of a disaster or disruption to business activities. A disaster recovery plan for the Group's IT system itself remains an integral part of the BCP initiative and tests are conducted at regular intervals to ensure preparedness.

To meet the requirements of the ISO/IEC27001:2013 ISMS standard, security assessments are scheduled regularly to screen our security posture and test standing plans to mitigate identified risks. Upgrades to the IT systems cater to changes in external regulations to ensure that the Group is always in compliance. As part of the digital transformation plan for 2017, IT services will enhance efficiency by providing an improved user experience and seamless mobility.

Enterprise Risk Management

The implementation of a holistic, comprehensive and effective Enterprise Risk Management platform across Malakoff will enable us to make sound business decisions, mitigate threats and pursue our business objectives. For these reasons, the Management Risk Committee ("MRC") is tasked with supporting the Board Risk and Investment Committee ("BRIC") in integrating risk management strategies, policies, procedures and risk appetite as well as reviewing the application of risk management practices across the Group in line with Malakoff's Enterprise Risk Management Policy and Framework ("ERMPF"). The ERMPF is based on the ISO 31000:2009 Risk Management Principles and Guidelines codified by the International Organisation for Standardisation ("ISO").

In 2016, following the successful implementation of Business Continuity Management ("BCM") at Malakoff's headquarters in Kuala Lumpur, the Group has extended the BCM initiatives to five local power plants in Tanjung Bin, Lumut and Prai. The implementation of BCM for these power plants started in April 2016 and is expected to be completed in 2017.

For the year under review, a total of 103 risk initiatives and activities were implemented which included a series of risk assessment sessions, reviews and trainings organised across Malakoff. As at 31 December 2016, a total of 546 risks were registered and monitored in the Enterprise Risk Management System ("ERMS"), of which 51.28 percent of these risks were rated as "low risk", 36.63 percent as "moderate risk", 10.44 percent as "high risk" and 1.65 percent as "extreme risk". Ninety-three management actions were identified as at 31 December 2016 to mitigate the risks which are being actively monitored.

As part of Malakoff's ERMS, Technical Risk Assessments Processes ("TRAPs") are carried out every year for Malakoff's power plants and reported to the Management Risk Committee. TRAPs serve to identify, analyse and evaluate technical risks, specifically the risks associated with engineering and operational practices at the power plants. The management actions identified from TRAPs are implemented and continuously monitored via the ERMS.

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As the Group moves forward, there are specific risks that Malakoff is exposed to, that could impact our operational and financial performance. As such we continue to leverage on our robust ERMS structure to bring into play several initiatives to mitigate these risk factors.

One of the key strategic risks that we face as a Group is the challenge of delivering sustainable business growth. It is essential for the Group to continuously grow to ensure the sustainability of the business. To this end, we have instituted our five-year business plan, which focuses on various expansion initiatives. In particular, the Group is pursuing overseas brownfield projects which will provide immediate income to the group. We are also exploring strategies such as tying up with aggressive consortium partners and leveraging on new efficient technologies that will open up new business opportunities.

There are certain operational risks that could disrupt our plants' performance. These include operational challenges in maintaining the reliability and efficiency of power plants. As such, across the Group, planned maintenance and inspection activities are continuously being undertaken to ensure all plants are able to sustain their operational performance. Improvement initiatives such as Reliability-Centred Maintenance and Risk Based Inspection are implemented to meet the high reliability and availability targets. Root Cause Analysis and TRAPs are also conducted to identify and mitigate engineering and operational risks.

OUTLOOK AND PROSPECTS

Global Outlook 2017

Global economic activity is set to pick up in 2017 and 2018 following a lacklustre 2016 according to the International Monetary Fund's World Economic Outlook ("IMF") update as of January 2017. The IMF forecasts that global growth will touch 3.4 percent and 3.6 percent in 2017 and 2018 respectively in comparison to 3.15 percent growth in 2016. The advanced economies are projected to make small improvements, while activities in emerging market and developing economies will continue to drive global GDP led by growth rates of 7.6 percent for India and 6.2 percent for China.

However, at the same time, global risks remain significant and difficult to predict. The recovery from the 2008-2009 recession is the slowest and most problematic of the past century. High levels of debt,

particularly in the public sector and unintended consequences of the unprecedented monetary easing policies are causes for concern. China's transition to a more consumption and service-based economy continues to influence other emerging market economies, notably commodity producers and countries exposed to China's manufacturing sector.

Reservations about US policy under President Trump, the risks of muddled Brexit negotiations and the outcome of upcoming multiple leadership elections in the European Union, all lend to the air of uncertainty. Add to this China's structural slowdown and Japan's struggle with deflation and the outlook is cloudy. However, there is some optimism that things can turn around for the better should policies that promote sustainable and inclusive growth as well as cooperation and coordination be brought into play.

Domestic Prospects 2017

In the domestic realm, the prospects of adding to our local power generation properties are limited in the near term and our existing assets face depleting PPA life spans which creates a challenge for the Group to maintain its leading position at home. Internationally, although there is currently a very competitive landscape for new acquisitions which can drive down equity returns, there are multiple opportunities in both the power and water sectors, which we will pursue diligently.

International Electricity & Water Markets

Gulf Cooperation Council ("GCC") countries
Installed power capacity in the Gulf Cooperation Council ("GCC") countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates ("UAE") is expected to increase from 127 GW in 2011 to 293 GW in 2030 and 417 GW in 2040.

The GCC forecasted to raise desalination capacity by 40% from 2015 to 2020. In 2015, the capacity was approximately 4,000 MIGD and is set to increase to more than 5,500 MIGD by 2020. Similarly, demand in 2015 was about 3,300 MIGD and is expected to grow to around 5,200 MIGD by 2020. Saudi Arabia and the UAE are the world's first and second largest producers of desalinated water. Qatar and the UAE have enjoyed comfortable reserve

THE INVESTMENT STRATEGY CENTRES AROUND INVESTMENT IN INDUSTRY SECTORS THAT CORRELATE WITH THE CORE BUSINESS ACTIVITIES IN ORDER TO MAXIMISE SYNERGY AND TO ENSURE A WELL-PLANNED DEVELOPMENT OF THE BUSINESS.

margins in recent years, while Saudi Arabia, Oman and Kuwait are facing real challenges meeting high demands, especially during the summer. Aging plants not operating at full design capacity are among the factors that are contributing to reduced total water output.

Saudi Arabia

The demand drivers of economic growth, population growth and urbanisation in Saudi Arabia saw power generation capacity reach an estimated 70 GW in 2016, a substantial increase from 40 GW in 2010. Generation capacity is anticipated to expand to 120 GW by 2032 on the strength of an enormous power augmentation programme by the government to meet increasing demand, making it the country with the largest expansion plan in the Middle East for generation. Saudi Arabia was also planning a massive renewable energy programme that sought to install 54 GW by 2032, but due to slow progress and lack of proper implementation the target has been revised to 9.5 GW by 2023. Saudi Arabia's Electricity & Co-Generation Regulatory Authority (ECRA) is also embarking on privatisation programme where by Saudi Electricity Company (SEC) generating business could be privatised by next year. Under the plan, SEC will be divided into four separate companies – each of which will be privatised and will compete for customers across the kingdom, ECRA expects that the first of these four companies is likely to be brought to market in 2017.

Bahrain

The island nation of Bahrain have an installed capacity of 6,600 MW in 2016. Domestic electricity demand is growing by 7 to 10 percent per annum, which is driven by a housing programme, population growth and the needs of the industrial sector. To meet the growing demand, Bahrain has launched ambitious plans to expand power generation capacity, which calls for phase two of the Al Dur independent water and power project (IWPP), as well as the construction of new, smaller power plants. There are also opportunities for private players to expand or increase the capacity of existing power and water plants.

United Arab Emirates

The UAE's installed electricity generating capacity is estimated to be 34 GW in 2015 is forecast to exceed 43 GW by 2020. Moving towards sustainable development, the UAE is expected to produce 24 percent of its electricity from clean energy sources by 2021. As for the water sector, the government is looking to expand desalination water production capacity to meet increasing water demand expected from both the growing population and from agriculture.

Southeast Asia

The power sector will shape the energy outlook for Southeast Asia with demand set to triple by 2040, with the shift towards coal set to continue. To meet growing demand, Southeast Asia's generation capacity will increase from 210 GW in 2014 to almost 550 GW in 2040, of which 40 percent will be coal-fired. The generation fuel source mix with continue to shift as the shares of coal and renewables grow and those of natural gas and oil decline. The rise of coal use is underpinned by economic factors, abundant supplies and the need for rapid electrification, but also highlights the need to accelerate the deployment of more efficient technologies to address the rise in local pollution and CO_2 emissions.

GROUP MANAGING DIRECTOR'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

Using our two neighbours, Indonesia and the Philippines as examples, we can see that opportunities abound in the development of additional power generation capacity in the region. Indonesia's electricity consumption is expected to realise a compound annual growth rate ("CAGR") of 8.7 percent until 2024. An additional 35 GW is planned from 2015 to 2019 of which 30 GW is planned to be from IPPs. Meanwhile the Philippines has the highest electricity tariff in Southeast Asia and enjoyed the highest recorded GDP growth in the region since 2013. Electricity consumption is anticipated to grow by a CAGR of 4.6 percent until 2030. Low reserve margins especially in Visayas (less than 5 percent) and Mindanao (5 percent) present ample growth opportunities for investors.

OUR STRATEGIES GOING FORWARD

The Group's investment guidelines for new businesses require target projects to be developed or acquired in line with Malakoff's core business activities, which include electricity generation (including renewable energy), water production and O&M. The investment strategy centres around investment in industry sectors that correlate with the core business activities in order to maximise synergy and to ensure a well-planned development of the business.

Our investment focus regions include Malaysia, MENA, Southeast Asia and Australia. We may explore and consider carefully certain projects which are outside the focus region taking into consideration any particularly attractive factors such as high returns and available liquidity in local financing. While the Group is pursuing the acquisition of brownfield and greenfield projects, the immediate drive is to aggressively search for merger and acquisition opportunities for quick growth.

The return on equity on any particular project must take into account the risks associated with the project, country risk, project economics and the financing structure.

Expanding the Renewable Energy Portfolio

Growth opportunities on the domestic front continue to be pursued, particularly in the renewables sector such as Waste-to-Energy ("WtE"), where electrical energy is derived from the incineration of household waste. Solar powered generation is being explored in anticipation of the government's target to achieve a cumulative solar capacity of 1,000 MW by 2020. In 2016, Malakoff received a conditional offer from the Malaysian government for the development of a large scale solar photovoltaic plant in Peninsular Malaysia under a build, own and operate ("BOO") arrangement for a term of 21 years under the Power Purchase Agreement. Malakoff together with its consortium partner was shortlisted by the government in 2016 for the development of a WtE plant in Kuala Lumpur. We will continue to be an active participant.

Adding International Assets

On the international front, Malakoff continues to explore potential growth opportunities to expand its presence in the areas of power generation and water production, especially in its focus regions of MENA, SEA and Australia. The year 2017 will also see the Group continuing to explore ventures in new territories. Opportunities may also be explored, among others, in the Philippines, Turkey, Morocco, and Europe. The intention is to acquire brownfield overseas assets. This project and others under evaluation are in line with plans to increase Malakoff's effective power generation capacity to 10,000 MW and water desalination generation to 530,000 m³ per day by 2020.

Growing the O&M Business

Maintaining safety and reliability while maximising profit are the core goals of plant operations. Malakoff's strong culture of operational excellence and disciplined management ensures that our own assets are managed and maintained in an efficient and cost effective manner. On the strength of a good track record, Malakoff applies a wealth of know-how and experience in plant operations, project management, advanced engineering technologies and safety management, to offering wide-ranging O&M services for numerous third-party clients in Malaysia and internationally.

The O&M services are tailored in line with the needs of clients, including operational preparations, such as planning, system development and training, consulting services on profit optimisation, and reliability and safety improvement, maintenance planning and execution and full operations services. Today, Malakoff, via subsidiary TJSB, has a hand in operating power and/or water desalination plants in the Kingdom of Saudi Arabia, Algeria, Kuwait, Indonesia and Oman. As at end 2016, by way of our domestic IPPs and international O&M activities in the power and water segments, the Group had a total effective capacity of 7,537 MW and 1,421,000 m^3/day, respectively.

We are currently exploring emerging O&M opportunities in the Middle East and South Asia, as well as other SEA countries via aggressive marketing and participation in relevant power and water exhibitions and conferences. Our O&M expansion programme overseas continues to serve as an important entry point strategy providing us the opportunity to familiarise ourselves with a new market before committing the Group to any capital investment. Going forward, we are aiming to double the contribution from the O&M business by the year 2020.

Extending the Electricity and Chilled Water Distribution Business

Malakoff currently supplies electricity and chilled water for air conditioning to buildings in the prestigious KL Sentral area and there is significant potential to extend this business to similar development projects in major cities throughout Malaysia.

Towards Sustainable Growth

Sustainability defined as "meeting the needs of the present without compromising future" is the cornerstone of Malaysia's New Economic Model. It revolves around the need for sustainable consumption and production, emphasising the role of clean and green technology. Maintaining a bio-diverse world is not a hindrance to development but a fundamental requirement and the uptake of science and technology in power and water facility design contributes towards the well-being of society and communities.

GROUP MANAGING DIRECTOR'S MESSAGE
AND MANAGEMENT DISCUSSION AND ANALYSIS

Our strategy of maintaining strong operational capabilities whilst driving shareholder returns ensures our growth is sustainable. All of this has been possible through the commitment of our employees and the Group's continued investment in developing its talent pool and offering a wide variety of development and career building opportunities. On the financial front, we will set our sights on optimising our asset portfolio, capital structure and cost of funding. This will be central to the overriding objective of ensuring sustainable growth to meet the expectations of stakeholders.

There is a continued focus on ensuring high standards of compliance with Malakoff's core values of honesty, integrity and respect. Our Management team continues to work on further improving the Group's operational performance as well as engaging with the relevant authorities on government-related issues to ensure that Malakoff confidently maintains its leadership position and continues to deliver value to shareholders in the coming years.

A NOTE OF APPRECIATION

The Board aligns Malakoff's vision and mission with the government's aim for Malaysia to become a high-income nation that is both inclusive and sustainable by 2020. We thank our Board members for their vision, experience and knowledge in providing the counsel and corporate oversight required to continue leading Malakoff forward as we help develop Malaysia's energy infrastructure and take our expertise into the international arena.

Our accomplishments this year were made possible by our dedicated Management team and the unremitting commitment of our employees. This year they have delivered another year of dedication and diligence.

We express our immense gratitude also to our shareholders, regulatory authorities, financiers, business associates and partners, consultants and customers for their on-going support.

Malakoff will continue to embark on strategic initiatives to grow the Group in the near future and at the same time it will continue to focus on enhancing operational efficiencies to ensure that performance will remain positive and sustainable whilst maintaining our commitment to safety and the environment.

Looking ahead, we remain committed to the continuing success of Malakoff and are focused on delivering another profitable result marked by an increase in revenue and a widening geographic footprint while responsibly serving the needs of the people in Malaysia and in our overseas locations. Thank you.

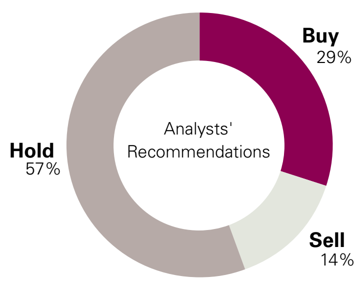
Datuk Wira Azhar Abdul Hamid
Group Managing Director

INVESTOR RELATIONS

Throughout 2016, Malakoff Corporation Berhad ("Malakoff") continued to actively engage with the investment community as we recognise the importance of establishing an open and interactive communication platform with our shareholders. We undertook all the typical investor relations ("IR") activities, such as conferences, site visits and analysts' briefings to provide investors and analysts access to our management and a better understanding of Malakoff through meaningful dialogue. During these engagements, information on the Group's operations, strategies, financial management as well as challenges and achievements were openly discussed to enable investors make informed investment decisions. Aside from the IR officer, participants to Malakoff's analysts' briefings and management meetings have had the opportunity to interface with at least one member of the senior management, namely the Group Managing Director, Executive Vice President (Operations), the Chief Financial Officer, Head of Local Generation Division and Head of Operations Reporting.

During the year under review, our management team met with more than 150 members from numerous local and international financial institutions within the equity capital market including analysts, fund managers, investors and sell-side sales managers. At the same time, the IR unit provided the management team with regular feedback on the equity market participants' views and concerns which were then discussed at the Management Coordination Committee's monthly meetings. The IR function within Malakoff is also involved in the preparation of this annual report and the annual general meeting to help ensure that material information is disclosed in a fair, consistent and transparent manner.

Presently, there are 21 equity analysts covering and monitoring Malakoff shares, with the following stock recommendations i.e. 57% HOLD, 29% BUY and 14% SELL. The details of the IR activities undertaken in 2016 are summarised in the tables provided below.



Source: Bloomberg

Analyst coverage

No	Organisation
1	Affin Hwang
2	AmResearch
3	BIMB Securities
4	BoA Merrill Lynch
5	CIMB
6	Citi
7	CLSA
8	Credit Suisse
9	Deutsche Bank
10	HSBC
11	JPMorgan
12	KAF Seagroatt
13	Kenanga
14	Macquarie
15	Maybank Kim Eng
16	Morgan Stanley
17	Nomura
18	Public Investment
19	RHB Research
20	TA Securities
21	UOB Kay Hian

Investor Relations Activities in 2016	Number of events
Briefings to analysts and fund managers	4
Site visits	2
Number of investment conferences organised by financial institutions	3
Number of one-to-one meetings at conferences	13
Number of company visits and conference calls	22
Luncheon with management	3

Briefings

Date	Financial Result	Analyst Briefing	No. of participants*
19 February	Fourth Quarter 2015	Conference Call	31
23 May	First Quarter 2016	Conference Call	33
18 August	Second Quarter 2016	Analyst briefing	42
23 November	Third Quarter 2016	Analyst briefing	35

Site Visits

Date	Site visited	No. of participants
30 March	Port Dickson Power Plant, Negeri Sembilan	12
29 September	Tanjung Bin Energy Power Plant, Johor	13

Conferences

Date	Event	Venue	Organiser
26 February	Citi Infrastructure Day	Singapore	Citi
12 & 13 April	Invest Malaysia 2016	Kuala Lumpur	Maybank
1 December	Asean Stars of the Next Decade 2016	Singapore	Citi

CORPORATE EVENTS HIGHLIGHTS

15 JAN 2016

Handover of Masjid Al-Amin Sg Dinar to Mukim Serkat community

29 JAN 2016

Zakat donation distribution to Madrasah Al-Ansar, Bestari Jaya

12 FEB 2016

Energy Commission wins football match with Malakoff

11 MAR 2016

Friendly football match against KeTTHA

12 MAR 2016

Malakoff bowling games with Utusan Group

19 MAR 2016

Karnival Sukan Rakyat Segari, Perak

CORPORATE EVENTS HIGHLIGHTS

21 MAR 2016

Tanjung Bin Energy achieves Commercial Operation Date

21 APR 2016

Malakoff 10th Annual General Meeting

25 MAR 2016

Malakoff participates in Penjanabebas's bowling tournament

27 APR 2016

Malakoff turtle awareness programme in Segari, Perak

16 APR 2016

Futsal tournament with KeTTHA, Energy Commission, EPU

01 MAY 2016

Malakoff Sports Carnival in Penang

CORPORATE EVENTS HIGHLIGHTS

01 MAY 2016

Malakoff Long Term Service Awards 2016

21 JUN 2016

Iftar with Port Dickson Power Plant staff

13 JUN 2016

Iftar with Prai Power Plant staff

23 JUN 2016

Iftar with Tanjung Bin Power and Tanjung Bin Energy Power Plants staff

16 JUN 2016

Iftar with Lumut Power Plant staff

29 JUN 2016

Handover of Zakat donation to Mukim Serkat community

CORPORATE EVENTS HIGHLIGHTS

20 JUL 2016

Eid ul-fitri Celebration in Prai Power Plant

29 JUL 2016

Eid ul-fitri Celebration in Tanjung Bin & Tanjung Bin Energy Power Plants

02 AUG 2016

Eid ul-fitri Celebration in Port Dickson Power Plant

08 AUG 2016

Eid ul-fitri Celebration in Lumut Power Plant

10 AUG 2016

Working visit by National Institute of Public Administration (INTAN) to Malakoff headquarters

19 AUG 2016

Deputy Secretary General of KeTTHA visits Tanjung Bin Power Plant

CORPORATE EVENTS HIGHLIGHTS

27 AUG 2016

"Jom Memancing" programme with Energy Commission in Port Dickson

26 SEP 2016

The Malakoff-NRE Coral Rehabilitation Project 2016 at Pulau Besar, Mersing

02 SEP 2016

Friendly Football with TNB

08 OCT 2016

Friendly Golf with Manjung Authorities

02 SEP 2016

A talk at Masjid Al-Amin Sungai Dinar in Serkat, Johor

09 OCT 2016

Sermon at Masjid Khairul Jariah, Segari

CORPORATE EVENTS HIGHLIGHTS

13 OCT 2016

Road Safety Campaign 2016 in Tanjung Bin

09 NOV 2016

Lumut Power Plant Safety Day

20 OCT 2016

Tanjung Bin & Tanjung Bin Energy Safety Day

11 NOV 2016

Townhall Session with KLHQ Staff

22 OCT 2016

Bowling tournment with TNB

19 NOV 2016

Malakoff - NSTP Group Bowling Match

CORPORATE EVENTS HIGHLIGHTS

24 NOV 2016 **Prai Power Plant Safety Day**

12 DEC 2016 **Maal Hijrah 1438H celebration at Pontian, Johor**

30 NOV 2016 **Procurement briefing at Malakoff Vendor Day 2016**

14 DEC 2016 **Water Sports Carnival in Serkat, Johor**

07 DEC 2016 **Port Dickson Power Plant Safety Day**

31 DEC 2016 **Malakoff participates in The Largest Karas Tree Planting Programme at Ledang, Johor**

CORPORATE GOVERNANCE STATEMENT

The Board of Malakoff Corporation Berhad ("Malakoff" or "the Company") continues to take cognisance of the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission Malaysia, and is committed, where possible, having regard to the size and ownership of the Company, to achieving and sustaining high standards of corporate governance and compliance with all the MCCG 2012's best practice recommendations.

The Company's framework of corporate governance is also guided by and based on the corporate governance requirements of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and its Corporate Governance Guide: Towards Boardroom Excellence, 2nd Edition.

This Statement outlines the main corporate governance practices applied currently by the Company and its subsidiaries ("the Group" or "the Malakoff Group") and some new governance practices adopted during the year and its efforts in demonstrating good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices to balance the interests of all stakeholders, including its shareholders, management, customers, suppliers, business associates, regulatory bodies and the community. The Board, having approved the Corporate Governance Statement on 7 March 2017, wishes to report that since the Company which is in its 2nd year of obtaining its listing status on the Main Market of Bursa Malaysia on 15 May 2015, the Group has followed, where possible, the recommendations of the MCCG 2012.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

(Principle 1 of the MCCG 2012)

Recommendation 1.1 - The board should establish clear functions reserved for the board and those delegated to management.

Recommendation 1.7 - The board should formalise, periodically review and make public its board charter.

a) Board Charter

The Board Charter clearly sets out the functions, responsibilities, and processes of the Board and ensures that Board members are aware of their roles and duties. This is pivotal to leading and managing the Group as a responsible and trusted leading independent power producer in the nation, as well as essential for realising long-term shareholder value.

The main task of the Board is to oversee the overall strategy and business direction of the Group in line with the Company's vision and mission and to serve the best interests of the Company and its stakeholders. In order to ensure the continuous relevance of the Board Charter, the Board conducts periodic reviews of the Board Charter, when necessary. The Board Charter, which is available on the Company's website, is subject to periodic reviews and updates to ensure its relevance and compliance with regulatory requirements.

b) Limits of Authority

Whilst the Board Charter sets out the roles, duties, responsibilities and function of the Board, the Limits of Authority of the Group further defines the matters specifically reserved for the Board and those delegated to the management. There are key matters which have been reserved by the Board for its deliberation and decision to ensure that the direction and control of the Group's businesses are within its control. These include amongst others, the following:

- adoption of an annual business plan and a budget forecast for four successive years thereafter;
- material acquisition and disposal or closure of businesses;
- establishment and development of new businesses via bidding exercises for new power generation and/or water desalination business locally and overseas, as the case may be;

CORPORATE GOVERNANCE STATEMENT

- material capital investment for the Group;
- declaration of dividends and approval of financial statements, including accounting policies of the Group;
- financing of the Group's activities; and
- any corporate restructuring of the Group.

The Limits of Authority, which include appropriate escalation and reporting to the Board, serves to provide the necessary delegation of authority of the Board to the management to ensure timely business decisions, are made and that the management is empowered to execute appropriate business activities and strategies to meet the needs of the business of the Group. The Limits of Authority allows balanced effective oversight with appropriate empowerment and accountability of the management.

Recommendation 1.2 - The board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

- **Principal Responsibilities and Functions of the Board**

The Board's principal responsibilities are to provide guidance to the management with regard to the Group's strategic planning, business conduct, risk assessment and management, as well as financial and operational management activities. The Board continues to provide counsel on strategic matters such as investment and divestment policy and human resource matters such as succession planning, as well with reviewing the adequacy and integrity of the Group's system of internal control and its management information system.

The Board's primary responsibilities set out below are in line with the best practices of the MCCG 2012: -

(i) to review and adopt a strategic plan for the Group;

(ii) to oversee the conduct of the Group's businesses to evaluate whether the businesses are being properly managed;

(iii) to identify principal risks and ensure the implementation of appropriate systems to manage these risks;

(iv) to implement succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing key management;

(v) to develop and implement an investor relations programme or shareholders' communications policy for the Company;

(vi) to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines;

(vii) to formalise ethical standards through a code of conduct and by ensuring compliance; and

(viii) to ensure that the Company's strategies promote sustainability.

- **Reviewing and adopting a strategic plan for the Company**

The Board annually reviews with the management and approves the five-year business plan prepared by it with accompanying short term and long term strategies to achieve the targets set under the business plan. The Board also approves the corporate key performance indicators ("KPIs") with specific and quantifiable targets to ensure our Executive Director, the Group Managing Directors ("GMD") and his management team achieve the key things that the Board wishes the management to focus on so that the budget set for the year is met. The Board achieves this through assigning weightages to each key result areas of the KPIs to guide the management on where its focus and resources should be invested in, to bring to realisation the targets set in the business plan. For the year 2017, the financials targets and the execution of business plans to increase the profitability of the Group continues to carry the highest weightage for the Corporate KPIs followed by internal process and business growth, both intended to support the financial targets set in the business plan. The GMD and his senior management team will be remunerated based on their achievements in relation to the targets set out in the Corporate KPIs.

The Board and management undergoes a rigorous and thorough process of setting the business plan against the capital structure of the Group. An offsite meeting will annually be held as part of the business plan cycle. In this meeting, renowned speakers on key areas relating the business plan are invited to inform both the Board and the management on recent market trends and how some of these market trends could be included as part of the Company's business plan. The offsite meeting also provides a platform for an informal dialogue session between the management and the Board on the concept of the business plan for the forthcoming years. This informal session had been successful in enabling a brainstorming session between the management and the Board in an environment outside the boardroom

CORPORATE GOVERNANCE STATEMENT

where fresh ideas and perspectives are best found. The key takeaways from the session were used by the management to develop the Group's strategies and business plans for 2017.

- **Overseeing the conduct of the Company's business**

  The newly appointed GMD, a board representation in the management, is responsible for managing the day-to-day operations of the Company and implementing the Group's strategies and policies approved by the Board. He is well supported by his team of experienced senior management who is knowledgeable, possess vast and in-depth knowledge of the industry, and are subject matter experts in their respective areas of responsibility.

  Apart from the scheduled Board meetings, the Board is kept continually updated on the business conduct of the Company with the circulation of the monthly financial, operations reports and minutes of the management meeting. These circulations ensure that the Board is regularly updated with key initiatives by the management in implementing the business plan approved by it, operational performances of the Group both locally and abroad and the progress of key issues affecting the operations of the Group.

- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

  The management risk committee ("MRC") assists the Board Risk and Investment Committee ("BRIC") in overseeing the establishment, implementation and effectiveness of the risk management system. These bodies meet quarterly and the MRC would report to the BRIC on significant strategic and operational risks, which pose significant impact to the profitability of the Company and the mitigation action plans proposed to be taken to reduce such risks to the businesses of the Group before recommendations are put forth to the Board.

  The BRIC on behalf of the Board, reviews risk management policies/practices, reviews periodic reports on risk management and makes relevant recommendations to the Board for its approval.

  Details of the BRIC and the risk management framework are set out in pages 102 to 107 the Statement of Risk Management and Internal Control of this Integrated Annual Report.

- **Succession planning**

  The Board through the BNRC continues to recognise that succession planning is key in ensuring continuity of business and that that at any point in time there is ready talent to undertake key and business critical positions across the Company especially at the senior management level. Since last year, the Board had approved specific milestones on succession planning and talent management, which are to be achieved over a 3-year horizon under the Corporate KPIs. For 2016, the Company had successfully achieved its milestone in identifying immediate successors to key critical functions of the Group and to develop comprehensive Development Programs for these successors after completion of a gap analysis exercise.

  For 2017, the Company is to identify potential successor's one level below the immediate successor for endorsement and approval of the talent management committee ("TMC"). Upon receiving endorsement of the TMC, a gap analysis will be carried out so that comprehensive Development Programmes could be developed for these successors to prepare them for the position. One of the strategies employed by the Company in increasing the number of internal successors is the development and implementation of succession plans for leadership positions. These key critical positions are identified and monitored through leadership development programmes, job rotation and other activities deemed appropriate. For talent management, the Company adopts an eclectic approach, which includes formal training, job assignments, stretched assignments, cross-divisional projects and active coaching and mentoring.

- **Overseeing the development and implementation of a shareholder's communications policy for the Company**

  Malakoff's Investor Relations ("IR") Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally and abroad. The details on MCB's IR functions and its activities for the financial year are provided in this Statement of Corporate Governance under Principle 8: Strengthen Relationship between Company and Shareholders.

  Malakoff strives and will continue to maintain the highest standards of corporate disclosure by disseminating accurate, consistent and in a transparent manner to its stakeholders on a timely basis. In meeting this end, the Board had adopted a Corporate Disclosure Policies and Guidelines ("CDP") to ensure that the above standards are consistently applied across the organisation for all of its communication to stakeholders and the public at large. The CDP provide a systematic guide to the management and employees of the Company on how disclosure of material information and corporate proposals of the Group are provided in a comprehensive, accurate and timely manner to regulators, shareholders and stakeholders, in line with the provisions of the Corporate Disclosure Guides issued by Bursa Malaysia. Specific spokespersons in Malakoff had also been identified in the CDP to address the shareholders and other stakeholders of the Company at different situations and forums.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the company**

  The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Details of the Company's internal control system and its effectiveness are provided in the Statement of Risk Management and Internal Control in this Integrated Annual Report.

Recommendation 1.3 - The board should formalise ethical standards through a code of conduct and ensure its compliance

- **Codes and Policies**

  (i) Code of Conduct

  The Code of Conduct ("COC") which came into effect on 1 January 2016, outlines the Group's commitment to appropriate and ethical practices. It includes general principles on business integrity. All employees of the Group are guided by the COC that sets out the principles, practices and standards of good personal and corporate behaviour. Failure to comply with the COC tantamount to a serious breach and the appropriate actions will be taken by the Company for any non-compliance.

  (ii) Whistleblowing Policy

  The Board had also approved and adopted a Whistleblowing Policy to provide avenue of communication by employees of any unethical practices such as violation of laws, rules, regulations, production fault, fraud, safety violations or corruption within their work areas, for further investigation of the management and if required, the Board.

  The Board recognises that such misconduct are usually recognised first by the people closer to the workplace who could assist the management and Board as their agents to alert them of any malpractices which are occurring within the organisation by using the Whistleblowing Policy. This policy also serves as an early warning system to help the Company detect any wrongdoings and provides an avenue for employees to make good-faith reports on unlawful, unethical or unacceptable behaviour or conduct without fear of reprisal. The identity of the whistle-blower and the concerns raised are treated with utmost confidentiality. The management is then able to take the appropriate corrective actions before a problem escalates into a crisis.

Recommendation 1.4 - The Board should ensure that the Company's strategies promote sustainability.

- **Promoting Sustainability**

  The Board is committed to promoting sustainability practices in the Group and to maintaining a good balance in relation to the environmental, social and governance aspects of the Group's businesses. A report of the Company's Sustainability Reporting are set out in pages 86 to 101 of this Annual Report.

Recommendation 1.5 - The Board should have procedures to allow its members access to information and advice.

- **Access to Information and Advice**

  In order to discharge its duties and responsibilities, the Board receives accurate, timely and clear information through the GMD and Company Secretary, under the direction of the Chairman. In addition to engaging the management for information, it has the opportunity to request for supplementary or explanatory information from the management. The management also provides periodic updates on key issues, which require the Board's close attention through electronic mail updates from the Company Secretary.

  The GMD also informs the Board on key updates of strategies undertaken by the management in fulfilling the approved business plan by the Board as well as key operational initiatives on a monthly basis via the circulation of the Company's management minutes and information memoranda issued by the GMD.

  The healthy and balanced information flow between the management and the Board outside the periodic Board meetings has brought the Board members nearer to operations of the Group, provide clearer understanding and grasp of key issues faced by local and overseas investments of the Group, thus facilitating effective and constructive discussion and ultimately achieving quality decisions at board meetings.

Status updates on matters reported in the last Board meeting will be updated as part of matters arising from the previous meeting and has been fixed item on the agenda of scheduled Board meetings throughout the year. The Board members are also able to meet management on a one to one basis upon request on clarification of key issues of the Group.

From time to time, whenever the Board requires relevant information updates from any members of the management team, the relevant member of the management team is invited to attend meetings of the Board and its committees to provide the Board with any such relevant information or updates.

The Board in ensuring that independent judgement and constructive debate on all issues under consideration are taken in its decision making, has the right collectively and individually to obtain external independent legal, accounting or other professional advice at the Company's expense to assist with its decision-making process.

Recommendation 1.6 - The Board should ensure it is supported by a suitably qualified and competent company secretary.

- **Company Secretary**

The Board have unrestricted access to the advice and services of the Company Secretary who is under the direction of the Chairman, to enable them to discharge their duties effectively. The Company Secretary, who is qualified, experienced and competent, advises the Board on updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of the Directors, their impact and implication to the Company, including fiduciary duties and responsibilities. The Company Secretary is responsible for monitoring compliance with the Board procedures and for advising the Board through the Chairman on all governance matters.

The Company Secretary also coordinates the induction of new Directors with the management and facilitate for the professional development of all Directors on an ongoing basis by identifying suitable development programmes for Directors in discharging their roles

The Company Secretary organises and attends all Board and Board committee meetings as well as ensures meetings are properly convened. This include the recording of accurate and proper records of the proceedings and resolutions passed and maintenance of such records accordingly at the registered office of the Company and produced for inspection if required. The removal of the Company Secretary is a matter for the Board to decide.

2. STRENGTHEN COMPOSITION

(Principle 2 of the MCCG 2012)

Recommendation 2.1
The board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent

Recommendation 2.2
The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

The Board Nomination and Remuneration Committee ("BNRC") was constituted as a merged committee of the nominating and remuneration committee of the Board on 23 November 2015 and operates under its terms of reference.

Under its terms of reference, the BNRC shall comprise at least three members whom are Non-Executive Directors, the majority of whom shall be Independent Directors. The Chairman of the Committee must be an Independent Non-Executive Director, and where a Senior Independent Non-Executive Director position exists, the Senior Independent Non-Executive Director shall assume the position of Chairman of the Committee.

The BNRC is chaired by YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, the Chairman of the Company and an Independent Non-Executive Director, with the support of three other Non-Executive Directors, two of whom are independent. The majority of the BNRC members are independent directors.

- **Senior Independent Non-Executive Director**

The commentary to Recommendation 2.1 of the MCCG 2012 proposes that the chair of the nominating committee should be the Senior Independent Director identified by the Board. The main role of the Senior Independent Director is

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to act as a sounding board for the Chairman. If the Board is undergoing a period of stress, and/or there is a perceived conflict of interest involving the Chairman, the Senior Independent Director is expected to provide leadership and advice to the Board. The Senior Independent Director can also be the focal point to whom the concerns of the stakeholders and shareholders of the Company can be conveyed.

The Board of the Company had deliberated and decided that the appointment of a Senior Independent Director is not required since the Chairman of the Board is already an Independent Director. The Board will review from time to time on the need to appoint a Senior Independent, Non-Executive Director and for this year had continued with this decision, as the Chairman of the Company has been effective in carrying out this role.

The key activities of the BNRC during the year encompassing selection and assessment of directors, criteria used in the recruitment process and annual assessment of directors and the formal and transparent remuneration policies and procedures to attract and retain directors are detailed in page 70 to 71 of this report.

- **Board Balance and Composition**

The Company is led by an experienced and dynamic Board, which is chaired by an Independent Non-Executive Director. The Board composition had increased by one from last year, to eleven Directors with the appointment of our GMD effective 1 May 2016. All of the members of the Board with the exception of the GMD are Non-Executive Directors. Of this number, four Directors are Independent Directors from the previous five Directors last year as Mr. Hirao Kohei was redesignated to a non-independent director following his appointment as the senior advisor to the Albukhary Group, whilst there are seven Non-Independent Directors with one holding an executive position. The composition of four Independent Directors meets Bursa Malaysia's requirement where at least two Directors, or one-third of the Board members, whichever is higher, to be independent.

The size of and diverse personalities on the Board continues to enable the Board to effectively discharge its duties and responsibilities to meet the Company's scope of businesses. Malakoff have presence in both the local front as well as its overseas investments abroad. The Board also has the right balance of members where the interests of the major shareholders of the Company are adequately represented whilst the presence of more than one-third ratio of Independent Directors on the Board will ensure that the best interests of the minority shareholders are being served.

The Board comprises members with a good mix of skills, knowledge and attributes as they come from diverse academic and educational backgrounds and possess extensive experience and expertise in areas important to the Group such as accounting, business, corporate strategy, law, engineering, financial planning and corporate governance experience which are relevant to meet the complexities of the Group's businesses. The profile of each Director is set out in pages 19 to 29 of this Annual Report.

The Non-Executive Directors bring to the Board their invaluable knowledge and business insights to ensuring that all strategies proposed by the management are fully deliberated on and considered in line with long-term interests of the Group as well as its shareholders and stakeholders. The Board constitutes majority Non-Executive Directors who are committed to business integrity and professionalism in all their activities. The Non-Executive Directors do not participate in the day-to-day management of the Group and do not personally engage in any business dealings or other relationship with the Group. This is to ensure that they are capable of exercising judgment objectively whilst acting in the best interests of the Group, its stakeholders and shareholders, including minority shareholders. The Board has specific functions reserved for the Board and those delegated to the management to enhance accountability.

The presence of Independent Non-Executive Directors has encouraged independent judgement, evaluation and scrutiny in relation to decisions taken by the Board. The impartiality of these Directors, also contribute significantly to the decision making process. These members of the Board have no personal interest or ties to the Group that could adversely affect their independence and objective judgment of the Board. In upholding independence which ensures objectivity and fairness in the Board's decision making process, the Board undertakes an annual assessment of all the Directors by evaluating the manner in which each Director has discharged their duties and how they have deliberated the Company's proposals in compliance with Recommendation 3.1 of the MCCG 2012.

Datuk Wira Azhar Abdul Hamid, who was appointed as the Company's GMD during the year, had enabled the Board's views to be represented in the management. He has led and steered his senior management team to the strategic direction in which the Board had decided for the Company to pursue. The GMD sets the tone of the Board in the day-to-day operations of the Company.

As Malakoff journeys into the next stage of aggressive expansion, the Board strongly believes that with the GMD's extensive knowledge and experience in conglomerate business, he will bring about the right changes in culture and mindset of its employees and to equip them to achieve the targets set by the Board in ensuring a sustainable future of Malakoff.

- **Re-election and Re-appointment of Directors**

The Company's Articles of Association mandates that all Directors should submit themselves for re-election at least once every three years, in compliance with the requirements of Bursa Malaysia. The Articles of Association also mandates that one-third of the Board shall retire from office every year and shall be eligible for re-election at the Annual General Meeting ("AGM"). In this respect, four directors will be retiring at the forthcoming AGM, namely Datuk Muhamad Noor Hamid, Tan Sri Dato' Seri Alauddin Dato' Mohd Sheriff, Datuk Ooi Teik Huat and Dato' Wan Kamaruzaman Wan Ahmad. They shall retire accordingly, and being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

The performance and contribution of the Directors seeking re-election are to be considered and recommended by the BNRC before the names of these Directors are submitted and recommended by the Board to the shareholders for re-election into office. For the financial year in review, this was done through a Board assessment conducted by the Board whereby Board members were required to conduct a peer assessment of other Directors in areas pertaining to his/her knowledge, skills, qualifications and contributions to Board discussions, to name a few. The BNRC's recommendations on the Directors standing for re-election at the forthcoming AGM are stated in the Explanatory Note 2 under the Notice of AGM.

Under the recently enacted Companies Act 2016, the age limit of the director has been removed. Therefore, previous age limit of directors who shall cease to be a director at the age of 70 is no longer applicable.

- **Diversity**

The Board in acknowledging the importance of diversity as an essential measure of good corporate governance and a critical attribute of a well-functioning board had adopted a diversity policy on 21 November 2016. Diversified views enhance Board discussions and ensure that the decisions of the Board were considered from all points of view. The Board acknowledges that diversity presents itself in a number of forms, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The diversity policy covers gender, age and ethnic diversity which will be a recipe for a dynamic Board as follows:-

a) Gender diversity

The Company does not set any specific target for female directors in the Board but will work towards having more female directors on the Board, if the opportunity arises.

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, ethnicity, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board in order to attract and retain women participation on the Board.

b) Age diversity

The Company does not set any specific target for the boardroom age diversity but will work towards having appropriate age diversity in the Board, if the opportunity arises.

The Company does not fix age limit for its Directors given that such Directors are normally reputed and experienced in the corporate world and could continue to contribute to the Board in steering the Company. The Board is fully committed to promoting age diversity, valuing the contribution of its members regardless of age, and seek to eliminate age stereotyping and discrimination on age.

c) Ethnic diversity

The Company does not set any specific target for ethnic diversity in the boardroom but will work towards having appropriate ethnic diversity in the Board, if the opportunity arises.

The BNRC is responsible in ensuring that boardroom diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

Currently, Madam Cindy Tan Ler Chin, the Nominee Director of the Employees Provident Fund on the Board is the only female member of the 11 member Board, whilst Mr. Kohei Hirao, a Japanese national, fulfils the ethnicity and cultural diversity requirements for Board members. The BRNC is committed to take into account and consider diversity whenever there is need to replace Board members or when a vacancy arises.

- **Board Assessment Evaluation**

The Board through the BNRC carry out a Board assessment exercise to assess the appropriateness of the size and composition of the current Board and Board committees, as well as the effectiveness of each of these committees and the Board as a whole vide feedback from the Board members. This is necessary as the members of the Board and Board committees were appointed/ constituted prior to the listing of the Company, save for the BNRC which committee members were restructured during the year to more optimum size of 4 from the previous 6.

Through the assessments and recommendations made by the BNRC, the Board is of the opinion that the current size and composition of the Board and Board committees are conducive to making appropriate decisions and allow for a diversity of perspectives and skills in order to represent the best interests of the Company as a whole.

- **Board Committees**

Under the Company's Articles of Association, the Board has, amongst other things, the power to establish any committee for managing any of the affairs of the Company and may lay down, vary or annul such rules and regulations as it thinks fit for the conduct of the business thereof.

The Board currently has the following four standing Board committees, each of which is operating within their respective defined terms of reference that are approved by the Board to assist it in discharging its responsibilities.

(i) Board Audit Committee ("BAC");
(ii) Board Nomination and Remuneration Committee ("BNRC");
(iii) Board Risk and Investment Committee ("BRIC");
(iv) Board Procurement Committee ("BPC")

The report on the proceedings of the committees meetings, its recommendations, and activities are submitted to the Board by the Chairman of each these Board committees at each of the scheduled Board meetings for the Board's evaluation and consideration. This ensures that each of the Director are informed of the decisions made including views/comments raised. Ultimately, the final decision on the matters deliberated at the Board committees rest entirely with the Board. The only exception is the BPC, where this Committee has been granted limited powers and authority to review and approve material procurements for the Group at certain thresholds, depending on the type of procurements. The terms of reference of the BPC are detailed herein.

All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings.

The Board through the annual board assessment exercise had also assessed the effectiveness of each standing Board Committee for the Financial Year. The Board had unanimously agreed that each Board Committee has discharged its roles and responsibilities effectively as guided by its respective TOR.

(i) BAC

Details on the BAC are elaborated in the Audit Committee Report which appears on pages 108 to 114 of this Annual Report.

ii) BNRC

One of the objectives of the BNRC is to assist the Board in fulfilling its corporate governance responsibilities with regard to nomination and remuneration matters of the Board and the Senior Management of the Company.

The BNRC, under its terms of reference, is required to develop, review and recommend to the Board, the Policy on Board Composition, having regard to the mix of skills, knowledge, experience, expertise, independence and diversity (including gender, ethnicity and age) and other qualities required to facilitate effective and efficient functioning of the Board, including core competencies which the Non-Executive Directors should bring to the Board, and to annually review the same.

- Although there is no written policy with regard to the Board composition within the organisation, the Board through the BNRC always considers the above factors when it consider new appointments to the Board and when it annually assesses its Board composition in line with the needs and requirements of the operations of the Company.

  The BNRC is also responsible to recommend the candidates for the Directors, the Executive Directors (if any) and the Senior Management of the Group by considering the prospective Director, Executive Director and Senior Management's character, experience, competence, integrity and time commitment, as prescribed by Paragraph 2.20A of the MMLR.

- **Summary of Key Activities**

  The BNRC held six meetings during the financial year under review, where it had considered and recommended the following matters under its purview for approval of the Board:-

  - Recommended the appointment of our Executive Director, the GMD and his remuneration package;
  - Recommended a variable pay plan design which pre-set the expected targets required in the Key performance indicators for the accord of bonus to employees of the Company;
  - Recommended the nomination of suitable senior and middle management staff to represent the Company as its nominee on the Boards of its local and overseas subsidiaries and associates;
  - Recommended a new protocol for acceptance of new directorship by our directors in other public listed companies pursuant to the Recommendation 4.1 of the MCCG 2012. The new protocol will set out the expectation on time commitment of the Board members and protocols of accepting new directorships.
  - Recommended the changes in the employment benefits for employees of the Group for purpose of enhancing certain benefits of employees as well as to remove or reduce other benefits that were currently no longer in practice.
  - Recommended the assessment tool and approach for the Board assessment in respect of the performance of the Board, individual directors and board committees for the period from January to December 2016. This assessment includes among other elements, the following:
    - √ review and assessment of the annual performance and effectiveness of the Board and the board committees as a whole;
    - √ review and assessment of the performance and composition of the board committees;
    - √ review and assessment of the annual independence assessment of the Independent Directors; and
    - √ review and assessment of the performance of Directors and to make recommendations to the Board with regard to the Directors who are seeking re-election, re-appointment and continuation in office at the Annual General Meeting ("AGM");
  - Recommended the Corporate KPI achievements for the GMD for the FY 2017;
  - Recommended the Board Diversity Policy for Malakoff Group.

  Through its annual assessment and recommendations of the BNRC, the Board believes that the current size and composition of the Board is conducive to making appropriate decisions and incorporates a diversity of perspectives and skills in order to represent the best interest of the Company as a whole. The annual assessment has also been successful in identifying the area of improvements of directors, through self and peer review. The directors will be sent to the appropriate developmental programmes and workshops on their request. This ongoing learning and developmental process by the directors will enhance and equip the directors with the right skills and knowledge in contributing to the Board discussions and decision making.

Recommendation 2.3
The board should establish formal and transparent remuneration policies and procedures to attract and retain directors.

- **Directors' Remuneration**

  The Board, through the BNRC, establishes a formal and transparent policies and procedure for the development of a remuneration policy for the directors of the Company and its Group, board committees, GMD, and the senior management. The BNRC also establishes an objective remuneration structure for directors of the Company and the Group, GMD and the Senior Management and to provide recommendations to the Board on the remuneration of the Board of the Company and the Group, GMD and the Senior Management.

The BNRC reviews the overall remuneration policy of the Non-Executive Directors, GMD and Senior Management. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the Non-Executive Directors and of the GMD and the Senior Management.

The recommendation of remuneration for the directors of the Company and the Group and the Senior Management of the Company to the Board, shall be based on the following considerations:-

(i) Levels of remuneration structure are sufficient to attract and retain the individuals needed to run the Company successfully at the Board as well as the senior management levels;
(ii) Links rewards to both the Company and individual performances, responsibilities, expertise and complexity of the company's activities;
(iii) Aligns the interests of directors, Senior Management and our stakeholders with the business strategy and long-term objectives of our Company;
(iv) Is based on information obtained

- **GMD**

  The remuneration package for the GMD is structured to link rewards to corporate and individual performance. It comprises a salary, allowances, bonuses and other customary benefits as accorded by comparable companies. The GMD's bonuses is determined by performance during the year against individual KPIs in a scorecard aligned with the corporate objective as approved by the Board. The GMD recuses himself from deliberation and voting on his remuneration at Board meetings. The BNRC reviews the performance of the GMD annually and submits its views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the GMD contributions towards the Group's achievements for the year

- **Non-Executive Directors ("NEDs")**

  The Board as a whole shall determine and recommend the remuneration of the NEDs for shareholders' approval at the AGM. The NEDs are remunerated through fixed monthly fees, meeting allowances and benefits-in-kind, such as annual leave passage and the reimbursement of business peripherals.

  The level of remuneration of NEDs reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry as well as to reflect the experience and level of responsibilities undertaken by the NEDs concerned. Their remuneration packages are benchmarked against the market once every three years to ensure that their remuneration packages remain competitive and relevant. The remuneration of NEDs shall not be based on commission, the percentage of profits, or turnover and it shall also not include commission based on the percentage of turnover.

  A review of the fees for NEDs should also take into account fee levels and trends of similar positions in the market and time commitment required from the director (estimated number of days per year) as well as any additional responsibilities undertaken such as a director acting as board chairman or as chairman of a board committee.

Details of each directors' remuneration for the financial year ended 31 December 2016 are set out below:

GROUP MANAGING DIRECTOR ("GMD") (EXECUTIVE DIRECTOR) ("ED")

Name of Director	Salaries* (RM)	Other Allowances* (RM)	Other Emoluments* (RM)		Meeting Allowances for Board and Board Committees (RM)		Estimated Monetary Value of Benefits-in-Kind (RM)	Total (RM)	
			Company	Subsidiaries	Company	Subsidiaries		Company	Subsidiaries
Datuk Wira Azhar bin Abdul Hamid	1,000,000	33,334	73,832	-	-	-	-	1,107,166	-
Sub-total for ED	1,000,000	33,334	73,832	-	-	-	-	1,107,166	-

**Salaries, other emoluments and allowances are paid to the GMD as per his employment remuneration package.*

NON-EXECUTIVE DIRECTORS ("NED")

Name of Director	Directors Fees (RM)	Other Allowances[1] (RM)	Other Emoluments (RM)		Meeting Allowances for Board and Board Committees (RM)		Estimated Monetary Value of Benefits-in-Kind (RM)	Total (RM)	
			Company[2]	Subsidiaries[3]	Company	Subsidiaries		Company	Subsidiaries
Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	360,000	29,925	36,000	-	42,000	-	104,375[4]	572,300	-
Dato' Sri Che Khalib bin Mohamad Noh	90,000[5]	-	-	675,000	30,000[5]	800[5]	-	120,000	675,800
Datuk Muhamad Noor bin Hamid	90,000	25,000	48,000	-	57,500	-	-	220,500	-
Datuk Ooi Teik Huat	90,000	25,000	45,097	-	66,000	-	-	226,097	-
Kohei Hirao	85,403	47,841	-	-	27,500	-	-	160,744	-
Cindy Tan Ler Chin	90,000[6]	50,000	24,000[6]	-	39,000	-	-	203,000	-
Dato' Wan Kamaruzaman bin Wan Ahmad	90,000	25,000	-	-	25,000	-	-	140,000	-
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	90,000	5,000	96,000	-	70,000	-	-	261,000	-
Datuk Idris bin Abdullah	90,000	21,168	90,000	-	65,500	-	-	266,668	-
Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff	90,000	20,143	45,097	-	56,500	-	-	211,740	-
Zalman bin Ismail (Alternate Director to Dato' Wan Kamaruzaman bin Wan Ahmad)	N/A	N/A	N/A	-	5,000	-	-	5,000	-
Sub-total for NED	1,165,403[7]	249,077	384,194	675,000	484,000	800	104,375	2,387,049	675,800

1 Other allowances paid by MCB to the NEDs comprising annual leave passage and annual supplemental fees (includes FY2015 claims paid in FY2016) and travelling allowances (only in respect of Kohei Hirao).
2 Board committee fees paid to the NEDs who are sitting on the Board Committee of the Company.
3 Other emoluments paid by the subsidiaries are chairman's allowance paid to a NED of MCB who is also serving as the chairman of the subsidiaries.
4 Benefits-in-kind paid to the Chairman of the Company comprising company car, company driver, petrol, utilities & medical reimbursements.
5 Directors' fees and meeting allowances are shared on an equal basis between the NED and MMC Corporation Berhad (which nominated the NED on the Board)
6 Directors' fees and other emoluments are shared on an equal basis between the NED and Employees Provident Fund Board (which nominated the NED on the Board)
7 Total directors' fee payable to the NEDs in 2016.

Total (NEDs & ED)	2,165,403	282,411	458,026	675,000	484,000	800	104,375	3,494,215	675,800
Total remuneration at Group level	2,165,403	282,411	1,133,026		484,800		104,375	4,170,015	

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The aggregate Directors' remuneration for the Group and Company are broadly categorised into the following bands:

	Group		Company	
Amount of Remuneration (RM)	**Number of Executive Directors**	**Number of Non-Executive Directors**	**Number of Executive Directors**	**Number of Non-Executive Directors**
100,001 to 150,000	-	1	-	2
150,001 to 200,000	-	1	-	1
200,001 to 250,000	-	4	-	4
250,001 to 300,000	-	2	-	2
300,001 to 350,000	-	-	-	-
350,001 to 400,000	-	-	-	-
400,001 to 450,000	-	-	-	-
450,001 to 500,000	-	-	-	-
500,001 to 550,000	-	-	-	-
550,001 to 600,000	-	1	-	1
600,001 to 650,000	-	-	-	-
650,001 to 700,000	-	-	-	-
700,001 to 750,000	-	-	-	-
750,001 to 800,000	-	1	-	-
800,001 to 850,000	-	-	-	-
850,001 to 900,000	-	-	-	-
900,001 to 950,000	-	-	-	-
950,001 to 1,000,000	-	-	-	-
1,000,001 to 1,050,00	-	-	-	-
1,050,001 to 1,100,00	-	-	-	-
1,100,001 to 1,150,00	1	-	1	-

(iii) BRIC

The Board Risk Committee ("BRC"), which was established on 25 November 2014, comprises four Non-Executive Directors, two of whom are Independent Directors. The BRC, chaired by an Independent Non-Executive Director of the Company, is a dedicated committee formed by the Board to provide oversight of the key risks that the Group faces and must manage. It allows in-depth deliberation and focuses on the risk management activities of the Group by the committee, prior to making recommendations to the Board. High and extreme risks faced by the Company and Group will be highlighted to the Board for its information and notation.

The terms of reference of the BRC include the following:

- to review the processes for determining and communicating the Company's risk appetite;
- to oversee the establishment, implementation and adequacy of the risk management system of the Group of which the effectiveness of the system is reviewed annually;
- to review and approve the risk management framework and policies to be adopted by the Group. The risk framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situations and ensure relevance at any given time;
- to review management's processes for identifying, analysing, evaluating and treating risks, as well as communicating the identified risks across the Group;
- to review periodic reports on risk management of the Group and deliberate on key risk issues highlighted by the Management Risk Committee;
- to report to the Board the key risks of the Group and the action plans to mitigate these risks;
- to provide independent assurance to the Board on the effectiveness of risk management processes in the Group;
- to invite outside counsel, subject-matter experts and other advisors, to the extent it deems necessary or appropriate, to facilitate expert discussion and seek expert opinion; and
- to carry out such other assignments as may be delegated by the Board.

On 21 November 2016, the BRC was renamed to the Board Risk and Investment Committee ("BRIC") following the Board's approval for this committee to be responsible for the review of investments proposed by the management and recommended by the Management Investment Committee.

With the additional scope of the BRIC, it is to assist the Board in reviewing and recommending material investment decisions of the Group comprising acquisition and divestment/ disposal of businesses, investments, companies, land and buildings as well as the bidding for any binding tenders and contracts for new power and water generation project, O&M services and any other businesses of the Group as well as new businesses intended to be pursued by the Group valuing more than RM500 million (collectively referred to as "Material Investment Decision").

Other than the review and recommendation of Material Investment Decision to the Board, the BRIC is also delegated the responsibilities of reviewing the planning stage of the Group's investments and the monitoring of the performance of the Group's investment portfolio. The full details of the terms of reference of the BRIC can be found in the Company's website at www. malakoff.com.my.

Details of the BRIC and a summary of its activities are spelt out in the BRIC Report which appears on pages 102 to 106 of this Annual Report.

iv) BPC

Since the formation of the BPC on 21 August 2015, the BPC had effectively discharged its duties and responsibilities entrusted by the Board within its authority limits under the Company's Limits of Authority ("LOA"). The BPC had, over the course of the financial year in review, considered and approved three procurement awards upon recommendation of the Company's Management Procurement Committee ("MPC"). All decisions of the BPC were informed to the Board at the next best opportunity.

As last year, the composition of the BPC is made up of four members who are Non-Executive Directors with one member who is an Independent Director. The combination of knowledge, skills and experience of the BPC from different background had contributed to the effectiveness of the BPC in reviewing and deliberating procurement proposals under its purview. The BPC shall convene meetings on a need basis to deliberate and recommend, procurement awards of the Group to meet the business needs of the Group. In fulfilling its objectives, the BPC undertakes the following functions, roles and responsibilities:

- to review, evaluate and approve or disapprove procurements of the Group in accordance to the LOA approved by the Board; and
- to assist the Board in regulating compliance in line with the Group's Procurement Policies and Procedures.

3. REINFORCE INDEPENDENCY
(Principle 3 of the MCCG 2012)

Recommendation 3.1
The board should undertake an assessment of its independent directors annually

Given the importance of the role of the independent directors in giving independent views and having undue influence from interested parties in the boardroom discussion and decision, it is a vital that independent directors remain independent in their views and actions. The Board through the BNRC carries out an annual independence assessment of its Independent Directors with reference to the key criteria developed by the BNRC in the annual board assessment exercise. The criteria used to assess the independent directors are those which are prescribed under the Bursa Malaysia and the Corporate Governance Guide: Towards Boardroom Excellence, 2nd Edition. These directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference and acting in the best interests of MCB throughout their service as being directors of the Company.

During the financial year under review, all of the Independent Directors of the Company, had declared their independence based on criteria set out in Paragraph 1.01 of the MMLR of Bursa Malaysia. The Board is pleased to report that none of the Independent Directors had any interest or relationship that could reasonably be perceived to materially interfere with the independent exercise of their judgment. Materiality is assessed on a case-to-case basis by the Board and each Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interests in contracts and other directorships held. The independent directors are also assessed on whether their behaviour and the manner in which they conduct themselves on the Board coincides with their self-declaration that they have complied with the spirit of independence prescribed by the MMLR.

CORPORATE GOVERNANCE STATEMENT

Therefore, based on their declarations and actions at the Board, the BNRC is satisfied that the Independent Directors have complied with the independence criteria as prescribed by the MMLR and continue to bring independent and objective judgement to Board deliberations.

Recommendation 3.2
The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director

Recommendation 3.3
The board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years.

The MCCG 2012 recommends that the tenure of an Independent Director should be limited to a cumulative term of nine years. After that tenure, the said Independent Director may continue to serve the Board upon reaching the nine-year limit subject to him/her being re-designated as a Non-Independent Director. It further recommends that if the Board was to retain the individual as an independent director, after he has served in that capacity for more than nine years, the Board must justify and seek shareholders' approval for this retention.

As the Company strives to follow the best practices prescribed by MCCG 2012, the Board will pursuant to Recommendations 3.2 and 3.3 of the MCCG 2012, justify the decision to retain a Director as an Independent Director beyond the cumulative term of nine years, if it intends to do so and to seek shareholders' approval at a general meeting. The justification for the retention of the Independent Director will be subject to the recommendations of the BNRC, which is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criterion of independence.

As all of the Independent Non-Executive Directors of the Company have served less than nine years in the Company, the MCCG 2012 recommendation will not be applicable now. The BNRC will continue, on an annual basis, to assess the independence of the Company's Independent Non-Executive Directors.

Recommendation 3.4
The positions of chairman and GMD should be held by different individuals, and the chairman must be a non-executive member of the board

- **Separation of Powers between the Chairman and the GMD**

  In line with the recommendation of the MCCG 2012, there is a clear division of responsibility of the Chairman and GMD, which promotes accountability and facilitates division of responsibilities between the two roles. The GMD who is assisted by the Senior Management, is responsible for the business and day-to-day management of the Company. This division of roles between these two positions will ensure that no one individual has unfettered powers over decision making.

- **The Chairman**

  Tan Sri Dato' Seri Syed Anwar Jamalullail an Independent Non-Executive Chairman of the Company, he is responsible as the Chairman, for leading and ensuring the adequacy and effectiveness of the Board's performance and governance process. He also acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated. He works closely with the rest of the Board members in forming policy framework and strategies to align the business activities driven by the management team.

- **The GMD**

  Datuk Wira Azhar bin Abdul Hamid, the newly appointed GMD of Malakoff, has the responsibility of providing the stewardship of the Group's direction and the day-to-day management of the Group. The GMD together with the Senior Management manage the business of the Group according to the business plans, instructions and directions of the Board. The GMD with the management team, also implements the Group's policies and decisions as adopted by the Board, overseeing the operations as well as developing, coordinating and implementing business and corporate strategies.

  The Senior Management comprises the following:-

  (i) Executive Vice President, Operations
  (ii) Chief Financial Officer/Senior Vice President, Group Finance and Accounts Division
  (iii) Senior Vice President, Group Planning and Strategy Division

(iv) Senior Vice President, Local Generation Division
(v) Senior Vice President, International Operations and Services Division
(vi) Senior Vice President, Corporate Services Division

Recommendation 3.5
The board must comprise a majority of independent directors where the chairman of the board is not an independent director.

Tan Sri Dato' Seri Syed Anwar Jamalullail, the Chairman of the Company is an Independent Non-Executive Chairman of the Company. Currently, four out of eleven Board members are Independent Directors who are able to exercise independent judgment on issues of strategy, performance and resources of the Group. The Independent Non-Executive Directors of the Board play an important role in upholding the views of objectivity and independence in the discussion and decision making process of the Board. Their advice and judgment on interests, is not only limited to the Group, but also encompasses shareholders, employees, customers, suppliers and the communities in which the Group conducts its operations.

The Independent Non-Executive Directors are persons of high calibre and integrity, who provide skills and competencies, which ensure the Board's effectiveness. The Independent Non-Executive Directors represent and protect the interests of shareholders and are to provide an impartial view and quality advice to the decision making process of the Board. Independent Directors on the Board exercise their duties unfettered by any business or other relationship and are willing to express their opinions at Board meetings, free of concern about their position or the position of any third party. This mitigates risks arising from conflicts of interest or undue influence from interested parties.

- **Conflicts of Interest**

  To uphold good corporate governance and to ensure that decisions made are not influenced, any transaction of the Group involving interests of the major shareholders in whom these Non-Independent Non-Executive Directors represent will declare such interest to the Board and will abstain from all deliberations at the Board meeting.

  To assist the Board in complying with paragraphs 10.08 and 10.09 of the MMLR of Bursa Malaysia, the Board has approved an internal process which enables management to monitor and report related party transactions ("RPTs") and recurrent related party transactions ("RRPTs") entered into/to be entered into by the Group to the BAC on a quarterly basis.

- **Related Party Transaction Policies and Procedures**

  The Board through the BAC will ensure that the RPTs entered into/have been entered into by the Group (in the case of the RRPTs) have/are entered at an arm's length basis, on normal commercial terms and are not detrimental to the minority shareholders of the Company.

  To assist the Board in discharging this obligation, RPT Policies and Procedures have been developed and put in place for the Group to guide the Board and each employee as to their roles and responsibilities when a RPT/ RRPT is entered into by the Company and the Group. These also set out the manner in which the RPTs and RRPTs should be approached before the Group enters into such transactions. These also spell out the process for monitoring, reporting and compliance as well as the various obligations of the Company and the Group under the MMLR of Bursa Malaysia when certain thresholds of the value of the transactions are triggered.

4. FOSTER COMMITMENT

(Principle 4 of the MCCG 2012)

Recommendation 4.1
The board should set out expectations on time commitment for its members and protocols for accepting new directorships

- **Time Commitment**

  The Board meets at least four times every financial year and, as and when necessary, for any matters arising between regular Board meetings. All the Board and Board committees meetings are scheduled at the onset of the calendar year to facilitate the Directors' time planning. The Board ordinarily schedules three (3) additional meetings on top of the required quarterly meeting annually, to cater for any urgent matters which require the Board's decision and approval. Any additional meeting, on top of the seven (7) scheduled meetings, will be convened by the Company Secretary, after consultation with the Chairman and the GMD.

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During the financial year ended 31 December 2016, a total of 11 Board meetings were held where the attendance of each director had been detailed below:-

Name of Directors	No. of meetings attended
Tan Sri Dato' Seri Syed Anwar Jamalullail	11 out of 11
Datuk Wira Azhar Abdul Hamid (appointed as Group Managing Director on 1 May 2016)	7 out of 7
Dato' Sri Che Khalib Mohamad Noh	11 out of 11
Datuk Muhamad Noor Hamid	10 out of 11
Datuk Ooi Teik Huat	11 out of 11
Cindy Tan Ler Chin	9 out of 11
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff	9 out of 11
Datuk Dr. Syed Muhamad Syed Abdul Kadir	11 out of 11
Datuk Idris Abdullah	10 out of 11
Dato' Wan Kamaruzaman Wan Ahmad	9 out of 11
Kohei Hirao	10 out of 11

Each individual member of the Board is expected to devote sufficient time to the Company in carrying out his or her duties and responsibilities as this plays an important role in the development of the Group's policy and oversight of the management of the Company. Time commitment of new Board members will be communicated to the new director upon their appointment.

The existing Board members would need to abide to a procedure before accepting any new external Board appointment where notification on the indication of time to be spent on the new external appointment must be properly communicated to the Board. If there is a potential conflict in the pending appointment, it will be tabled to the BNRC notwithstanding the fact that paragraph 15.06 of the MMLR of Bursa Malaysia allows a Director to sit on the boards of up to five listed issuers. To date, the directors of the Company have complied with the MMLR requirement of not holding more than five (5) directorships in listed companies.

All Board members had attended more than 80% of the Board meetings held during the financial year 2016, demonstrating their commitment in investing sufficient time towards fulfilling their roles and responsibilities as Board member of the Company.

Recommendation 4.2
The board should ensure its members have access to appropriate continuing education programmes

- **Directors' Training**

The Board is mindful of the importance of continuous education for its members to update their knowledge and enhance their skills especially in this new regime of the Companies Act 2016 and the amendments to the MMLR of Bursa Malaysia. All Directors are encouraged to attend continuous education programmes and continuous training to enhance their business acumen and professionalism in discharging their duties to the Group as well as to help them to be kept abreast with the current developments and business environment affecting their roles and responsibilities.

During the year, the BNRC carried out a Board matrix competency exercise for each member of the Board as part of the Board evaluation exercise. This exercise had enabled the determination of key areas of improvement for each of the Directors and their respective training needs to bridge their respective competency gaps. The Company Secretary had organised an in-house training for the Board members entitled "the Companies Act 2016 and its implication to Directors" during the year and had circulated regular updates on training programmes from various organisations to the directors for their consideration for participation.

In compliance with paragraph 15.08(2) and Appendix 9C (Part A, paragraph 28) of the MMLR of Bursa Malaysia, all directors (during the financial year ended 31 December 2016) had attended at least one training session. The summary of the training programmes attended by our Directors are listed below:-

CORPORATE GOVERNANCE STATEMENT

Name of Director	Conference/Training Programme Attended	Date
Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	Update on Human Resource in Nestle World	8 January 2016
	PwC Building Trust Award 2015	23 February 2016
	Overview on Ready to Drink Business Unit	23 February 2016
	Overview on Creating Shared Value ("CSV")	23 February 2016
	Overview on Nestle Health Science	26 April 2016
	Update on Sales Business Unit	29 June 2016
	Update on Security on Nestle Malaysia/Singapore	22 August 2016
	Overview on Nestle Zone Asia, Oceania & Africa (including CSV & Sustainability)	22 August 2016
	Capturing Value from Disruption	23 September 2016
	Power Sector Outlook for Selected Geographies	23 September 2016
	Amendments to the Listing Requirements by KPMG	26 September 2016
	Companies Bill 2015 by Messrs. Wong & Partners	26 September 2016
	Update on Human Resources in Nestle World	25 October 2016
	Overview on Marketing Services & Social Media	25 October 2016
	Overview on e-Commerce	25 October 2016
	Overview on Healthier Choice Logo & Selective Food Tax	25 October 2016
	Update on Raw Material Sourcing	25 October 2016
	Update on Innovation & Renovation Award	25 October 2016
	Investment in Myanmar 2016	7 November 2016
Datuk Wira Azhar bin Abdul Hamid	Special Invitation to industry briefing on Directors Register Implementation	17 February 2016
	Directors Remuneration Report 2015: Briefing session for Directors, A special briefing on the implementation of the Recommendations	25 February 2016
	FIDE Core Programme – Module A	8-10 March 2016
	2016 BNM Governor's Address on the Malaysia Economy & Panel Discussion	24 March 2016
	Audit Committee Conference 2016	29 March 2016
	Concept Paper on Corporate Governance	25 April 2016
	Concept Paper on Shareholder Suitability	25 April 2016
	Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements	25 April 2016
	FIDE Core Programme – Module B	5-7 October 2016
	Companies Act, 2016 and its implications to director	7 November 2016
	Anti-corruption & Integrity – Foundation of Corporate Sustainability	8 December 2016
Dato' Sri Che Khalib bin Mohamad Noh	Speaking Engagement – Customer Experience: Lesson Learnt from the World Most Admired Organisations	24 May 2016
	Competition Law Talk	23 August 2016
Datuk Muhamad Noor bin Hamid	Malaysian Oil & Gas Services Exhibition and Conference	September 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Cindy Tan Ler Chin	Woman Power Network	1 March 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
	CG Breakfast Series with Directors : "The Cybersecurity Threat and How Board Should Mitigate the Risks"	18 November 2016

CORPORATE GOVERNANCE STATEMENT

Name of Director	Conference/Training Programme Attended	Date
Datuk Ooi Teik Huat	How to build or burn trust in an organization – A conversation with Andrew Fastow	6 June 2016
	Competition Law Talk	23 August 2016
	Financial Outlook 2017	5 September 2016
	2016 National Conference of the Institute of the Internal Auditors Malaysia - Audit Committee Leadership Track	11 October 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Tan Sri Dato' Seri Alauddin bin Md Sheriff	Half day talk on:	26 September 2016
	i) Shariah non-compliance risk and its impact to Islamic Banks	
	ii) Malaysia Financial Reporting Standard (MFRS) 9 – Financial Instruments and key audit matters	
	iii) Internal Capacity Adequacy Assessment Process (ICAAP)	
Datuk Idris bin Abdullah	Evolution of Enterprise Risk Management Models and Standards	5 September 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	Focus Group Discussion in preparation for Dialogue with BNM's Senior Management	3 February 2016
	Bank Negara Malaysia Annual Report 2015 / Financial Stability and Payment Systems Report 2015 Briefing Session	23 March 2016
	Risk Appetite Workshop	24 March 2016
	Independent Directors Programme: The Essence on Independence	28 March 2016
	Panelist for the session "Putting it All Together" – MINDA Engagement on Enhancing Director and Board Effectiveness – INSKEN Onboarding Directors Programme	29 March 2016
	Participated in the RFI Responsible Finance Summit	30 – 31 March 2016
	Breakfast Talk Session entitled "Key Traits to Make or Break a CEO: Establishing the Measures"	12 May 2016
	Training Session on ISO for EURO Board of Directors	2 June 2016
	Public Lecture at the University Sultan Zainal Abidin (UniSZA)	12 June 2016
	Focus Group Discussion on "Islamic Finance for Board" Programme	30 June 2016
	Future CEO Programme	16 July 2016
	Competition Law Talk	23 August 2016
	Khazanah Megatrends Forum	26 – 27 September 2016
	2016 National Conference of the Institute of the Internal Auditors Malaysia – Audit Committee Leadership Track	11 October 2016
	Speaking to students of BBA (Islamic Finance) who took subject on "Shariah Aspects of Business and Finance"	16 October 2016
	Sesi Refleksi CEO Faculty Programme bersama YB Menteri Pendidikan Tinggi	19 October 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
	CIMB Group's Annual Management Summit (AMS)	11-12 November 2016

Name of Director	Conference/Training Programme Attended	Date
Dato' Wan Kamaruzaman bin Wan Ahmad	Companies Act, 2016 and its implications to Director	7 November 2016
	2016 Economics Outlook Workshop	29 February – 1 March 2016
	Invest Malaysia 2016 Conference	12 April 2016
	Leadership Series with YBhg Tan Sri Rafidah Aziz Corporate Governance,NFI & Investment Decision – What the Board need to Know (Part 1)	9 May 2016
	Global Islamic Finance Forum	10 - 12 May 2016
	The ICGN Annual Conference 2016 (International Corporate Governance Network)	27 - 29 June 2016
	International Social Security Conference 2016	10 - 11 August 2016
	Leadership Series with YBhg Dato' Sri Idris Jala	2 September 2016
	JOIM-Oxford-EDHEC Retirement Investing Conference	11 - 13 September 2016
	Private Equity Forum 2016	20 - 21 September 2016
	Khazanah Megatrends	26 September 2016
	Corporate Governance,NFI & Investment Decision – What the Board need to Know (Part 2)	28 September 2016
	Strategic Corporate Governance	19 October 2016
	Khazanah Global Lecture – (Dame Dr Jane Goodall)	31 October 2016
	ASLI (Speaker) Strengthening Capital & Financial Markets & Boosting the Bond & Equity Market	1 November 2016
	FTSE	5 - 6 December 2016
	PEUK Symposium	20 December 2016
Kohei Hirao	Mandatory Accreditation Programme for Directors of Public Listed Companies	2 - 3 March 2016
	MINDA Power Talk – Bridging the gap via stakeholder engagement	18 October 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Zalman bin Ismail	The Voice of Leadership	1-4 March 2016
	Risk Awareness: Briefing on Insider Trading	28 August 2016
	International Foundations of Directorship (IFoD) 2016	15-17 August 2016

As per the past practice, the Company had organised for the Board an annual offsite breakout session with the management to discuss the Group's strategies and business plans. Guest speakers were invited to brief the Board on the latest developments in the power industry, new business ventures as well as potential markets in which the Company could tap for growth. Key takeaways from the session were used by the management to develop the Group's strategies and business plans for 2017.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

(Principle 5 of the MCCG 2012)

Recommendation 5.1
The Audit Committee should ensure financial statements comply with applicable financial reporting standards

- **Financial Reporting**

The Board is committed to provide and present a clear, balanced and meaningful assessment of the Company's financial performance and prospects to its shareholders, investors, relevant regulatory authorities and other stakeholders. The announcements to

Bursa Malaysia on the quarterly results of the Group and the Annual Report are issued in a timely manner to ensure that its shareholders are kept up-to-date with the Group's performance and prospects. The Board is responsible in ensuring that the accounting records are kept in a proper order and that the financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Board is assisted by the BAC in overseeing the Group's financial reporting processes so that the quality and integrity of the financial reporting are maintained. These processes are aimed to provide assurance that the financial statements and the notes accompanying the financial statements are completed in accordance with applicable legal requirements and accounting standards and reflect a true and fair view of the Group's financial position.

Recommendation 5.2
The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

- **Relationship with Auditors**

The Board maintains a formal and transparent relationship with the Company's auditors in seeking their professional advice and ensuring audit issues are properly addressed at Board level. The external and internal auditors are invited on a quarterly basis, to present significant audit findings that they wish to bring to the attention of the BAC. The BAC also meets with both the internal and external auditors at least twice a year without the presence of the management and whenever it deems is necessary. This is to encourage open discussion between the BAC with the internal and external auditors of the Company so that feedback on the level of co-operation given by the management during their audits are communicated, the areas for improvement of the audit exercise, or any other concerns it wish to bring to attention of the BAC.

The BAC through the Company Secretary undertakes the assessment of both the internal and external auditors. The assessment involves the completion of a set of questionnaires that include amongst other things, the adequacy of resources, the quality and adequacy of personnel carrying out the audit, the quality of audit reports received by the BAC and the adequacy of coverage of the audit. The feedback of the Chief Financial Officer is also sought through the completion of a different set of questionnaires to assess on the quality of the audit reports and the performance of the external auditors.

The Board is well aware that the objectivity and independence of the external auditors must not be any way be impaired by their provision of non-audit services to the Group. Hence, to assist the Board in achieving this, it had approved on 21 November 2016, a policy on non-audit services as prescribed by MCCG 2012.

Under the said policy, the BAC's objective is to ensure that the provision of non-audit services to MCB does not impair the external auditor's objectivity and independence. In this context, the AC shall consider the followings:

- whether the skills and experience of the external auditors make it suitable service provider of the non-audit service(s);
- whether the suitability and need for the service of the external auditors has been considered;
- whether safeguards have been deployed to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the non-audit services provided by the external auditors; and
- the nature of non-audit services, the related fee levels and fee levels individually, and in aggregate relative to the audit fee.

The BAC should satisfy itself that safeguards required by legislation or standards are implemented and complied with.

The external auditors under the policy is prohibited from performing non-audit services based on the following principles:-

- Create a mutual or conflicting interest between the external auditors and the Company;
- Result in the external auditors functioning in the role of management;
- Place the external auditors in the position of auditing its own work; and
- Place the external auditors in the position of being an advocate for the Company

The policy also prescribed that the external auditors must observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following:-

- accounting and book keeping services;
- valuation services;
- taxation services;
- internal audit services;
- IT systems services;
- litigation support services;
- recruitment services; and
- corporate finance services.

The management shall obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services. The management had at all times required the external auditors to make the commitment that objectivity or its independence will not be impaired with the provision of the non-audit services by including such assurance in each engagement letters for the non-audit services rendered by it. All services were procured in accordance with the Malakoff Group's Procurement Policy. Non-audit services can be offered by the external auditors, if there are clear efficiencies and value added benefits to the Group, which is subject to the selection process under the Malakoff Group's Procurement Policy.

The external auditors' remuneration including non-audit Fees for the Company and the Group for the financial year ended 31 December 2016 had been tabled under page 116 and 202 of this Annual Report.

The BAC will determine and recommend the proposed re-appointment of the external auditors of the Company based on its assessment and the Chief Financial Officer whilst also ensuring that their fees will not compromise the independence of the external auditors.

Being satisfied with the performance of the external auditors for the year under review, the Board recommends their re-appointment, upon which shareholders' approval will be sought at the AGM.

6. RECOGNISE AND MANAGE RISKS

(Principle 6 of the MCCG 2012)

Recommendation 6.1
The board should establish a sound framework to manage risks

- **Internal Control**

The Board has the overall responsibility for maintaining a sound system of internal control that covers not only financial controls but also provides reasonable assurance for effective and efficient operations, compliance with laws and regulations, as well as adherence with internal procedures and guidelines.

The Statement on Risk Management and Internal Control is set out on pages 102 to 106 of this Annual Report.

- **Risk Management Framework**

The Board acknowledges the importance of sound risk management framework in managing the Group's risks and has entrusted the Company's risk management oversight to the BRIC. The BRIC reports to the Board on a quarterly basis to enable adequate review of the Group's risk management framework.

The Enterprise Risk Management Policy & Framework ("ERMPF") ensures a structured risk management process that includes risk identification, risk analysis, risk evaluation and risk treatment are being implemented throughout the Group. The MRC is responsible to execute and implement the ERMPF. The MRC is a platform where the Group's risks are communicated and discussed at the Management level. Strategies in managing key risks are also formulated in order to support the strategic objectives of the Company. Furthermore, the MRC is responsible in monitoring the effectiveness of risk controls and providing updates on the significant risks to the BRIC every quarter.

The Risk Management Department ("RMD") supports the BRIC and MRC in executing risk analysis and reporting as well as cultivating the Company's risk culture. The RMD also acts as a conduit to all the business units with regard to the execution of the planned risk management activities that are consistent with the ERMPF.

In addition, Plant Risk Management Committees are also responsible for managing all the operational risks at the power plants. The Plant Risk Management Committees oversee the risk activities at power plants in compliance with the Company's ERMPF.

Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control and the BRIC Report on pages 102 to 106 of this Annual Report.

Recommendation 6.2
The board should establish an internal audit function which reports directly to the AC

- **Internal Audit Function**

The Internal Audit Department ("IAD") was established to support the Board through the BAC in discharging its duties and governance responsibilities. The IAD provides the Board through the BAC an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group. The IAD reports functionally to the BAC and administratively to the GMD and is independent of the activities that they audit and perform their duties with impartiality, proficiency and due professional care.

Among the roles and responsibilities of IAD is to evaluate the adequacy, effectiveness and integrity of key internal control systems and risk exposures of the Group's governance, operations and information systems in relation to:-

a) Achievement of the Group's strategic objectives;
b) Reliability and integrity of financial and operational information;
c) Effectiveness and efficiency of operations;
d) Safeguarding of assets;
e) Economic utilization of resources; and
f) Compliance with relevant laws, regulations, policies, procedures and contractual obligations

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Details of the Company's internal audit function and activities are presented in the BAC Report on pages 113 to 114 and the Statement on Internal Audit Function on page 115 of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE
(Principle 7 of the MCCG 2012)

Recommendation 7.1
The board should ensure the company has appropriate corporate disclosure policies and procedures

- **Corporate Disclosure Policies and Guidelines**

In acknowledging the importance of being accountable to the shareholders and the market with full and timely information via an effective medium of communication, the Company had formalised a Corporate Disclosure Policies and Guidelines ("CDP"). The CDP ensure that there is a systematic approach within the organisation to communicate material information and disseminate it to various stakeholders such as investment regulators, members of the media and the investment community.

The CDP was established based on the basic principles of transparency, timeliness, fairness, continuity and confidentiality apart from complying with the MMLR of Bursa Malaysia. The CDP covers all manner and/or platform of formal and informal correspondences and communication, which is taken by the Company. A Disclosure Committee comprising the GMD, Executive Vice President, Operations, Chief Financial Officer (primary contact) and Company Secretary will administer the CDP including determining material information, ensuring timely disclosure to Bursa Malaysia, monitoring compliance and overseeing disclosure procedures.

- **Insider Trading**

The CDP sets out guidelines on trading restrictions for directors, officers or employees privy to material information. In compliance with the MMLR of Bursa Malaysia, the directors, principal officers or employees who are privy to material information are prohibited from trading in securities of the Company up to one market day after the material information is released to the public. Notices on the closed period for trading in the Company's securities are circulated to the directors, officers or privileged employees who are privy to any price-sensitive information and knowledge in advance of the closed period where applicable.

Recommendation 7.2
The board should encourage the company to leverage on information technology for effective dissemination of information

- **Leverage on Information Technology for Effective Dissemination of Information**

The Company employs a wide range of communication modes with its shareholders primarily through its website at www.malakoff.com.my which has dedicated sections for corporate information of the Company and corporate governance practices adopted by the Group. The website provides a wide range of information such as the company policies, media releases, investor presentations, quarterly and annual financial statements, announcements, share and financial information, annual reports and circulars/ statements, to shareholders and investors at large.

8. STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS
(Principle 8 of the MCCG 2012)

Recommendation 8.1
The board should take reasonable steps to encourage shareholder participation at general meetings

- **Annual Report and Shareholder Participation at General Meetings**

The Board believes that the shareholders or prospective new investors are entitled to receive timely and material information about their investment to assist them in making informed investment decisions.

The Annual Report of the Company is circulated in a timely manner to shareholders so that the shareholders and the market at large is provided with information on the Company's financial performance, business activities, corporate social responsibilities and other key activities. An electronic/digital form of Annual Report together with a printed abridged version incorporating the summarised financial statements of the Company, notice of general meeting and the proxy form will be sent to the shareholders, whilst a full version of the Annual Report will be made available on the Company's website at www.malakoff.com.my for access by the shareholders. Upon the request of shareholders, the Company will provide a hard copy of the Annual Report to the shareholders of the Company.

The general meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholder communication on the Company's performance, corporate and business developments and any other matters affecting shareholder's interests. The Board encourages participation of shareholders in the general meeting where the shareholders will be given a brief overview of the Company's operation and performance by the GMD of the Company. Questions submitted in advance by the Minority Shareholder Watchdog Group and the management's response to those questions will also be shared at the general meetings.

The general meeting also serves as an avenue for the Chairman and the Board members to engage in two-way communication with shareholders. Shareholders are encouraged to participate in the question and answer session with the Board personally and exercise their right to vote on the proposed resolutions. The external auditors will be present at the AGM to answer shareholders' queries on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

Recommendation 8.2
The board should encourage poll voting

- **Poll Voting**

  Pursuant to paragraph 8.29A of the MMLR of Bursa Malaysia which came into force on 1 July 2016, all resolutions set out in the notice of general meeting which may be moved or intended to be moved at the general meetings will be put to vote by polling. Hence, the Company shall conduct its forthcoming AGM by poll instead of show of hands as practiced in previous years. At least one scrutineer, who must not be the officer of the Company or its related corporation and independent of the person undertaking the polling process, will be appointed to validate the polling process as well as the votes cast at the general meetings.

  The outcome of voting on the proposed resolutions will be released via Bursa Link to the public at large and uploaded to the Company's website after the general meeting. The Company's AGM will be the first AGM that it will enter into this new regime for voting.

Recommendation 8.3
The board should promote effective communication and proactive engagements with shareholders

- **Communication and Engagement with Shareholders or Investors**

  The Board is committed to establish a constructive and effective relationship with its shareholders and all investors in the market. This is essential in realising long term values of the Company as well as enhancing shareholders' value. Other than the forum of general meetings, the Board encourages other mediums of communication between the Company and its shareholders or investors as follows:

  (i) the disclosure of full and timely information on the Group's major developments pursuant to the MMLR of Bursa Malaysia;
  (ii) all information of the Group's activities or press releases made available on the Company's website;
  (iii) all announcements released to Bursa Malaysia and uploaded onto the Company's website; and
  (iv) physical forums for interactive exchange between the Company's Senior Management and investors at meetings, briefings and site visits

  As an effort to promote effective engagement with shareholders or public at large, the Company has set up an Investor Relations section on its corporate website at www.malakoff.com.my where the relevant investor information is made available for review as well as for enquiries to be posed to the Company's management. A designated personnel has been assigned to attend or respond to shareholders/investors' enquiries from time to time.

  Further explanation on the Company's engagement with the investors is set out in the Investor Relations section on page 54 of this Annual Report.

9. STATEMENT OF DIRECTORS' RESPONSIBILITIES

(Pursuant to paragraph 15.26(a) of the MMLR of Bursa Malaysia)

The Board has given its assurance that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards for each financial year which gives a true and fair view of the state of affairs of the Group and the Company in a transparent manner at the end of the financial year and of the results and cash flows for the financial year.

The Directors' Report for the audited financial statements of the Company and the Group is outlined on pages 118 to 121 of this Annual Report together with the details of the Company and the Group financial statements for the financial year ended 31 December 2016 which are set out on pages 122 to 234 of this Annual Report.

10. COMPLIANCE STATEMENT BY THE BOARD ON THE CORPORATE GOVERNANCE STATEMENT

This Statement on the Company's corporate governance practices is made in compliance with paragraph 15.25 and 15.08A of the MMLR of Bursa Malaysia.

Having reviewed and deliberated this Statement, the Board is satisfied that to the best of its knowledge the Company is substantially in compliance with the Principles and Recommendations set out in the MCCG 2012 as well as the relevant paragraphs under the MMLR of Bursa Malaysia for the financial year under review. Any recommendations in the MCCG 2012 which have not been implemented during the financial year will be reviewed by the Board and be implemented where possible and where relevant to the Group's business.

This Statement has been presented and approved by the Board at its meeting held on 7 March 2017.

PRESERVING OUR FUTURE

CORPORATE GOVERNANCE STATEMENT

The general meeting also serves as an avenue for the Chairman and the Board members to engage in two-way communication with shareholders. Shareholders are encouraged to participate in the question and answer session with the Board personally and exercise their right to vote on the proposed resolutions. The external auditors will be present at the AGM to answer shareholders' queries on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company, and the independent audit review of the Company's financial position.

Recommendation 8.2
The board should encourage poll voting

- **Poll Voting**

  Pursuant to paragraph 8.29A of the MMLR of Bursa Malaysia which came into force on 1 July 2016, all resolutions set out in the notice of general meeting which may be moved or intended to be moved at the general meetings will be put to vote by polling. Hence, the Company shall conduct its forthcoming AGM by poll instead of show of hands as practiced in previous years. At least one scrutineer, who must not be the officer of the Company or its related corporation and independent of the person undertaking the polling process, will be appointed to validate the polling process as well as the votes cast at the general meetings.

  The outcome of voting on the proposed resolutions will be released via Bursa Link to the public at large and uploaded to the Company's website after the general meeting. The Company's AGM will be the first AGM that it will enter into this new regime for voting.

Recommendation 8.3
The board should promote effective communication and proactive engagements with shareholders

- **Communication and Engagement with Shareholders or Investors**

  The Board is committed to establish a constructive and effective relationship with its shareholders and all investors in the market. This is essential in realising long term values of the Company as well as enhancing shareholders' value. Other than the forum of general meetings, the Board encourages other mediums of communication between the Company and its shareholders or investors as follows:

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  page 54 of this Annua

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This Statement has been presented and approved by the Board at its meeting held on 7 March 2017.

Malakoff remains committed to creating long-term shared value for our shareholders through embedding sustainable progress into our operations to secure the future of the Group.

5TH YEAR
"KENALI PENYU, SAYANGI PENYU"
Turtle Awareness and Educational Programme

THE MALAKOFF-NRE CORAL REHABILITATION PROJECT 2016
aimed to highlight the importance of coral in the marine ecosystem.

SUSTAINABILITY STATEMENT

OUR COMMITMENT TO CREATING SUSTAINABLE VALUE

Malakoff Corporation Berhad ("Malakoff" or "the Group") has grown progressively over the years and is today a leading regional independent power and water producer with operations in Malaysia, Saudi Arabia, Bahrain, Algeria, Oman and Australia. As we set about our daily business of helping shape economies, society and businesses through our diverse offerings, we acknowledge the need to create long-term shared value for our stakeholders and to secure the future of the Group. In line with this, we are committed to upholding responsible management and sustainable development on the Economic, Environmental and Social fronts.

Today, the businesses within Malakoff continue to work together, leveraging on common synergies and resources to integrate business sustainability into their respective organisations. By embedding sustainable progress throughout the Group, we are providing the momentum for our businesses to strengthen their operational efficiencies and deliver long-term growth.

SUSTAINABILITY STATEMENT

SCOPE AND METHODOLOGY

This inaugural Sustainability Statement underpins Malakoff's commitment to undertaking business in a responsible and sustainable manner through our good Economic, Environmental and Societal or EES performance. It covers the reporting period 1 January to 31 December 2016 and the Group's key sustainability activities in Malaysia only. We focus on the business sustainability activities of specific components of Malakoff, namely the power generation business in Malaysia. This Statement excludes the sustainability activities of our business activities outside of Malaysia, unless otherwise stated. We consider the entire supply chain for materiality assessment but only Malakoff's activities for quantitative and qualitative disclosure.

This Statement is to be read in conjunction with the rest of Malakoff's 2016 Annual Report, which highlights other financial and non-financial aspects of our business. To avoid content overlap, certain parts of this Statement may refer to existing content within other sections of this Annual Report. For further clarification or any feedback on this Statement, kindly contact Head, Investor Relations.

OUR APPROACH TO SUSTAINABILITY

Sustainability Governance

Malakoff's commitment towards sustainable growth is evident at all levels of our organisation. At the leadership level, our Board of Directors and senior management recognise the importance of pursuing a business sustainability agenda that upholds good EES practices. Our leadership has committed to investing in measures, which support the sustainable growth of the Group's businesses and which create value for our shareholders.

In 2016, Malakoff formed a Working Group on Sustainability to oversee the formalisation of sustainability processes and the preparation of this Sustainability Statement. The Working Group on Sustainability is chaired by our Chief Financial Officer. Its other members comprise the Heads of the Risk Management Department and the Corporate Affairs and Stakeholder Management Department, as well as the Heads of Group Accounts and Investor Relations. Several business units provide support, namely the Local Generation Division ("LGD"), Human Resource Department ("HR"), Group Health, Security, Safety and Environment ("GHSSE") and Corporate Affairs and Stakeholder Management ("CASM") units. The Working Group on Sustainability reports directly to the Group Managing Director, who is responsible for providing overall direction on how sustainability matters are to be incorporated in Malakoff's business and for endorsing the Sustainability Statement for the Board's approval.

Over the course of 2016, the Working Group on Sustainability met on a regular basis, and conducted the following activities:

- reviewed Malakoff's stakeholder engagement process, including the prioritisation of key stakeholders and stakeholder engagements for the purpose of this Statement;
- conducted a materiality assessment to determine sustainability matters which are material to Malakoff;
- considered targets and indicators to evaluate and monitor the performance of material sustainability matters, in the context of Malakoff's business;
- prepared this Statement, supported by the respective business units that are responsible for the performance of the material sustainability matters.

At the ground level, the various teams within the Group carry out their everyday functions in a manner that makes a positive and sustainable impact on the EES front. With all employees within the Group doing their bit to ensure responsible and sustainable behaviour, this is successfully preserving the Group's reputation and bolstering shareholder value.

While the Working Group on Sustainability has been formed for the purpose of helping Malakoff kick-start its sustainability journey in a more structured manner, we are currently exploring and considering a formal governance structure that will enable the integration of sustainability into the Group for the longer-term.

Disclosure and External Assurance

While sustainable practices form part and parcel of the daily operations within our respective businesses, we are still at the early stages of developing a formal sustainability policy that encompasses all areas of the Group. As this is our first consolidated Sustainability Statement, it has not been subjected to external assurance. We are in the process of streamlining our sustainability data collection and monitoring activities across the Group and plan to seek external assurance in due course.

STAKEHOLDER ENGAGEMENT ACTIVITIES

As the Group's businesses and markets evolve, we find ourselves engaging with a growing number of diverse stakeholder groups. Proactive stakeholder engagement is a fundamental component of Malakoff's sustainability strategy and we are committed to undertaking continuous activities in this area. Through proactive engagement with our many stakeholders, we are able to respond to their different expectations, meet their changing needs and strengthen our ties with them.

For the purposes of understanding what is important or material to our various internal and external stakeholders, we undertook a stakeholder survey (i.e. limited to key stakeholders of Malakoff) to determine the sustainability issues most material for disclosure in this Statement. The stakeholder survey was conducted across different platforms, which included workshops, face-to-face interviews and survey forms. Participants of the survey were required to consider and prioritise sustainability matters relevant and important to them in their relationship with Malakoff.

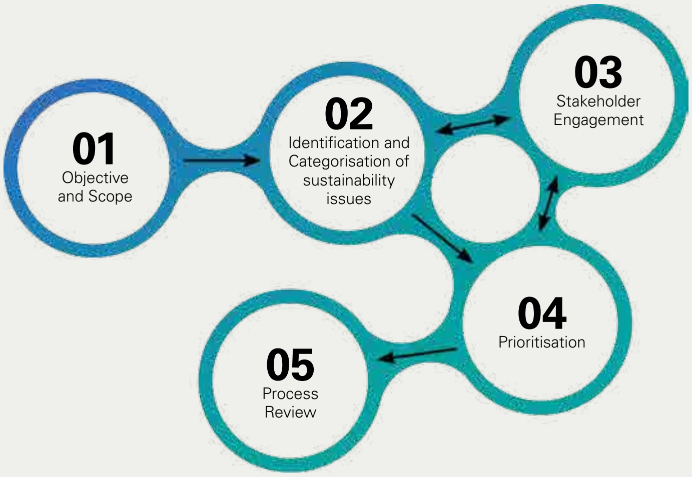
Aside from the rollout of 2016's stakeholder survey, the Group continues to undertake stakeholder engagement activities on a regular basis. The table below summarises the key stakeholder engagement activities that are currently being practised by the Group.

SUSTAINABILITY STATEMENT

Stakeholder groups	Engagement methods
Government and authorities	• Face-to-face discussions • Ongoing engagements
Law enforcement agencies	• Face-to-face discussions • Ongoing engagements
Shareholders	• Face-to-face discussions • Annual / Extraordinary General Meetings • Ongoing engagements
Customer	• Face-to-face discussions • Ongoing engagements
Employees	• Workshop discussions • Townhall and dialogue sessions • Ongoing engagements
Local communities	• Face-to-face discussions • Community events • Ongoing engagements
Rating agencies	• Ongoing engagements
Contractors/ suppliers	• Ongoing engagements
Media/ Analysts	• Ongoing engagements
Financial institutions	• Ongoing engagements

MATERIAL SUSTAINABILITY MATTERS

In 2016, with the direction of the Working Group on Sustainability, Malakoff adopted a materiality process which was guided by the Sustainability Reporting Guide and Toolkits published by Bursa Malaysia, as follows:



Source: Bursa Malaysia Reporting Guide and Toolkits

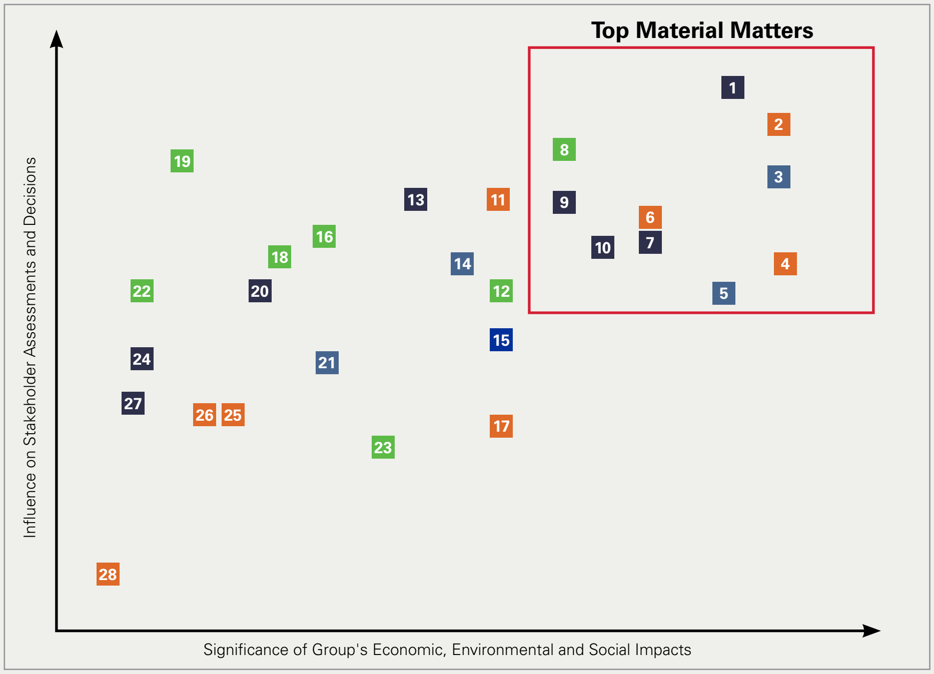
When considering the various types of sustainability-related matters, we identified a list of 28 key relevant sustainability matters, categorised into the following four themes:

These 28 key sustainability matters were discussed during Malakoff's stakeholder survey sessions to understand how these matters impacted our stakeholders in various ways. Malakoff's management also performed an impact assessment of the risks and opportunities of each sustainability matter to understand their relative importance to each other.

SUSTAINABILITY STATEMENT

The following Materiality Matrix outlines an overall analysis of the sustainability matters, comparing the importance of each stakeholder issue relative to its impact on the Group.

MCB Materiality Matrix



THEMES	
Governance and Strategy	People
Operation	Environment

The area at the top-right corner of the Materiality Matrix represents sustainability matters that are most material to the Group, which:

- reflect the Group's significant economic, environmental and social impacts; or
- which substantively influence the assessments and decisions of stakeholders.

Malakoff will continue to progressively engage with its stakeholders and review its materiality matrix from time to time, to identify, manage and report its sustainable material matters in the context of its business operation.

Top 10 Material Sustainability Matters for 2016

1 Occupational safety and health
2 Business ethics and transparency
3 Operational efficiency
4 Regulatory compliance
5 Security of supply
6 Strategic business development
7 Management leadership
8 Emission management
9 Employee welfare
10 Talent retention and development

Other Sustainability Matters

11 Government policy and strategy
12 Waste management
13 Community investment and development
14 Technology and innovation
15 Plant security
16 Nuisance
17 Shareholders return
18 Biodiversity impact
19 Natural disasters
20 Social dialogue
21 Information security
22 Water use impact
23 Renewable energy
24 Human rights
25 Responsible subcontracting and procurement
26 Plant decommissioning
27 Diversity and equal opportunities
28 Geopolitical context

The top 10 material sustainability matters identified from the survey are discussed in detail in the following sections of this Statement, together with additional discussion on other sustainability matters.

They are grouped into the respective themes of Governance and Strategy, Operation, People and Environment.

SUSTAINABILITY STATEMENT

- GOVERNANCE AND STRATEGY -

MALAKOFF IS CONTINUOUSLY REVIEWING AND IMPROVING ITS STRATEGIC DIRECTION, INITIATIVES AND POLICIES IN ORDER TO ENSURE SUSTAINABLE GROWTH FOR OUR CORE BUSINESS SEGMENTS. THIS IS ENABLING US TO CATER TO THE FAST-EVOLVING AND CHALLENGING ECONOMIC AND BUSINESS ENVIRONMENTS AS WELL AS ADOPT STRATEGIES THAT ENSURE WE MEET THE EVER-CHANGING DEMANDS OF OUR CUSTOMERS. THE FOLLOWING ARE SOME OF THE INITIATIVES WE HAVE SET IN PLACE TO GUIDE US IN OUR DAY-TO-DAY OPERATIONS AND ENSURE WE UPHOLD GOOD MARKETPLACE BEHAVIOUR.

BUSINESS ETHICS AND TRANSPARENCY

The Group Whistleblower Policy launched in 2015 provides employees and third parties dealing with Malakoff with proper procedures to disclose cases of improper conduct such as misconduct or criminal offences or malpractices to the Company. A whistleblower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the whistleblowers from any detrimental action that may result from the disclosure of improper conduct, if the disclosure is made in good faith.

The Whistleblower Policy also serves to ensure that fair treatment is provided to both the whistleblower and the alleged wrongdoer when a disclosure of improper conduct is made. A disclosure of improper conduct can be made orally or in writing via a letter or e-mail to whistleblowing@malakoff.com.my which is accessible only by the Chief Internal Auditor of Malakoff. The Whistleblower Policy is available on Malakoff's corporate website at http://www.malakoff.com.my/About-Us/Whistleblower-Policy/InternalAudit.

Starting 1 January 2016, Malakoff also implemented Code of Conduct ("COC") on all its employees that sets out the principles, practices and standards of good personal and corporate behaviour, as mentioned in the Corporate Governance Statement on pages 62 to 84.

STRATEGIC BUSINESS DEVELOPMENT

Strategic Priorities

The Group has an attractive portfolio of international power and water production assets and remains committed to the power and water businesses. There are limited opportunities in the domestic conventional power generation industry. However, opportunities in renewables such as local solar and Waste-to-Energy ("WTE") projects continue to be pursued, particularly in anticipation of the Malaysian Government's target to achieve a cumulative solar capacity of 1,000 MW by 2020, commencing with 250 MW in 2017. As a result, there is a need to aggressively explore strategic opportunities

overseas, focusing on mergers and acquisitions ("M&As") for quick and sustainable growth.

Given the dynamic domestic landscape in Malaysia, we need to continuously challenge ourselves to deliver a competitive electricity tariff to the off-taker and ultimately to consumers. We are strategically on the lookout for new overseas ventures and acquisitions, including potential business diversification which would add value to our shareholders.

Malakoff is committed to undertaking responsible investment. Our process for new investments takes into account heightened concerns about the environmental and social impact of our target markets and the solutions and support required to ensure sustainable value creation. In delivering economic growth, our aim is to generate respectable profits for existing and new business opportunities without sacrificing long-term economic value creation. With regard to our existing assets, we are continuously working to improve operational efficiency and ensure sustainable business operations.

At the same time, in light of dynamic market trends, we are continuously exploring sustainable diversification opportunities such as operation and maintenance services ("O&M"), recycling and new technologies. For any new investment, a process is in place whereby every new investment proposal is diligently vetted by the Management Investment Committee under a strict review and approval process, before it is presented to the Board of Directors for the final mandate.

Trends affecting the organisation and influencing sustainability policies

Industrial trends may affect Malakoff and we are continuously monitoring the power and water demand growth of our target markets as well as exploring private public partnership and group-wide collaboration opportunities. Where some of our target markets face the potential introduction of more stringent environmental policies and carbon policies, which will eventually trigger more rigorous requirements and preparation when developing new projects, we leverage on Group synergies i.e. our combined wealth of experience and expertise, a strong management team and skilled employee workforce, to strengthen our position.

Key achievements and challenges

Malakoff has delivered power and water projects that meet local and international requirements. As of December 2015, the Group's effective power generating capacities stood at 5,346 MW and 690 MW for Malaysia and our international markets respectively. The total effective capacity for water production was 358,850 m^3/day. In 2016, Malakoff delivered the 1,000 MW Tanjung Bin Energy ("TBE") power plant, which began commercial operations on 21 March 2016, following its successful construction, testing and commissioning phases. TBE is Malaysia's first independent power producer ("IPP") project that was awarded by the Energy Commission ("EC") via a competitive bidding process. This has raised our effective generating capacity to 6,346 MW for Malaysia. Malakoff also secured a three-year power purchase agreement ("PPA") extension for Port Dickson Power that commenced in March 2016.

On the international front, Malakoff has added a water desalination capacity through the 45 percent owned Al-Ghubrah IWP in Oman where the project achieved its commercial operation date ("COD") on 19 February 2016. The project contributes an effective capacity of 85,950 m^3/day raising the total effective capacity of the Group to 444,800 m^3/day.

	Power generation (MW)		Water desalination (m^3/day)	
	As on 31 December 2015	As on 31 December 2016	As on 31 December 2015	As on 31 December 2016
Malaysia	5,346	6,346	-	-
Outside Malaysia	690	690	358,850	444,800
Total	6,036	7,036	358,850	444,800

We continue to face headwinds in securing more domestic power generating capacity due to changing dynamics in the increasingly competitive market.

Renewable Energy

We remain selective about growth opportunities and consider the overall positive impact of our undertakings. We are focused on sustainable growth by acquisition for the near-term and have prioritised projects based on optimised resources. Moving forward, we aim to expand our work in the area of carbon reduction strategy and strengthen our foothold in the Renewable Energy ("RE") segment.

In line with Government's ambition of introducing largescale solar projects, Malakoff participated in the Large Scale Solar PV Plant bidding programme under the Energy Commission ("EC"). On 15 December 2016, the EC issued a letter of acceptance of offer ("Letter") to the Malakoff stating that it had been selected to develop the 50 MW project subject to full compliance and acceptance of the terms and conditions set out in the Letter.

Having gained significant experience in the bidding process for RE projects, Malakoff is in a better position to support its growth strategy to bid for commercially viable RE projects. The plan going forward is to develop an optimised RE portfolio for the Group.

Regulatory Compliance

Malakoff has in place its framework and processes to comply with the relevant laws and regulations. This includes Malakoff's Audit & Verification programmes, which are conducted on a quarterly basis as part of its efforts to ensure compliance with the relevant Health, Security, Safety and Environment ("HSSE") regulations. However, despite these efforts, in October 2016, two notices were received for issues relating to incomplete labelling of scheduled waste, air emissions and competent persons. The year also saw the Tanjung Bin operations issued two improvement notices relating to scheduled wastes, housekeeping, industrial effluents and clean air.

In response to these notices, Malakoff has since put in the necessary resources and initiatives to successfully address all the requirements. We continue to diligently monitor regulatory requirements to ensure our operations are within the requirements.

On another note, changes relating to Clean Air Regulations will come into effect in 2019. These changes include the inclusion of hydrogen fluoride ("HF"), hydrogen chloride polychlorinated dibenzodioxins ("HCL PCDD")/polychlorinated dibenzofurans ("PCDF") and the introduction of new lower limits for carbon monoxide ("CO") and mercury. Proactive efforts are being untaken in order for Malakoff to comply with the changes to the Clean Air Regulations.

SUSTAINABILITY STATEMENT

- OPERATION -

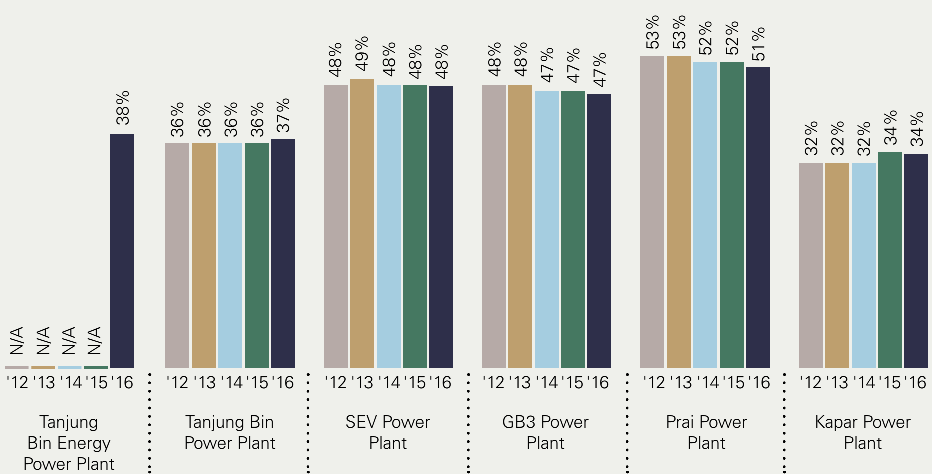
Operational Efficiency

The Group's is committed to undertaking energy production efficiency (thermal performance) and this is evident in the formation of a dedicated performance unit/department at each plant and at the headquarters ("HQ") level. We set efficiency goals at the division level and cascade these down to plants for execution and implementation with the support from HQ. Each plant runs a dedicated thermal performance monitoring programme consisting of performance gap identification, remedy plans and potential risk forecasts. They also undertake close engagement with stakeholders through periodic performance review sessions.

A previous benchmarking exercise against 423 international generators demonstrated that the efficiency of all the Group's thermal and gas units are comparable to the pacesetters of respective peer groups (some units are superior to pacesetters).

An analysis of the thermal efficiency of our plants is spelt out in the MD&A.

Thermal Efficiency



Security of Supply

We have the responsibility to ensure a safe, secure and reliable supply to the national grid. The plants are governed by the PPAs that specify a high level of plant availability and reliability as required by the grid operator.

Security of supply to the national grid is related directly to the capacity available at a given period and the reliability of plants, which are operating within the said period. The outage plan is reviewed together with the Grid System Operator on a regular basis to ensure our plants are available to support the grid system at the required time, as stipulated in the PPA, without compromising the integrity of the plants. We also perform various maintenance plans including preventative maintenance and condition-based maintenance to ensure high plant reliability.

Aside from the above, all the plants are classified as national security zones ("Sasaran Penting") by the relevant government agency, Jabatan Sasaran Penting Negara. As a result, the security of the plants continues to be regularly reviewed and inspected for adequacy and effectiveness.

SUSTAINABILITY STATEMENT

- PEOPLE -

HUMAN CAPITAL DEVELOPMENT CONTINUES TO BE A PRIORITY WITHIN THE GROUP, PARTICULARLY IN THE AREAS OF TALENT RETENTION AND DEVELOPMENT (INCLUDING MANAGEMENT LEADERSHIP SUCCESSION), OCCUPATIONAL HEALTH AND SAFETY ("OSH"), EMPLOYEE WELFARE AS WELL AS COMMUNITY INVESTMENT AND DEVELOPMENT. APART FROM PRIORITISING THESE MATTERS ACROSS OUR VARIOUS PLATFORMS, WE ARE ALSO COMMITTED TO CREATING A CONDUCIVE AND SUPPORTIVE WORKPLACE ENVIRONMENT TO HELP EMPLOYEES ACROSS THE GROUP BE MORE PRODUCTIVE AND INNOVATIVE.

Our Approach to Diversity

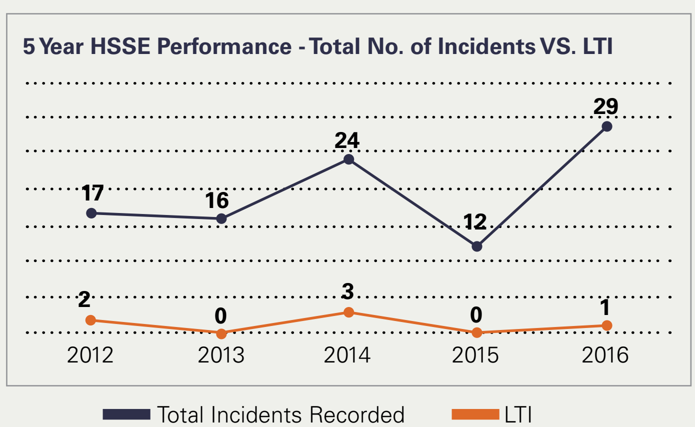
The Group's policies and initiatives such as recruitment, retention, training and development, as well as Group-sponsored corporate and social activities are all implemented in a manner that does not discriminate against ethnicity, gender, age, disability, or status. Our employment practices are underpinned by the principles of fair treatment for our employees and a balance between performance, pay and participation. The Group employs, appoints, promotes, develops and rewards its employees through the principles of meritocracy and fairness. We are committed to hiring and promoting people based on company-defined criteria. All these measures ensure that Malakoff family remains a well-balanced, safe and harmonious one.

Occupational Health and Safety ("OSH")

Malakoff to date has implemented a comprehensive HSSE Management programme in accordance with the ISO14001 and OHSAS18001 standards. These two standards are voluntary in nature and are widely regarded as the Gold Standard in HSSE. This involves detailed studies on hazards and risks assessment, operational controls, training and competency systems, audit and verification as well as supporting programmes. In 2016, the Group planned and implemented various HSSE programmes and initiatives to promote OSH within the organisation. The Malakoff HSSE Day, Road Safety Campaign and Take 2 Programme activities were conducted to increase OSH awareness among staff.

As for indicators to monitor the OSH of our workplace, we have enhanced our calculation and reporting methodologies, which are currently done in a more holistic manner. In 2016, the number of Lost Time Incidents ("LTIs") recorded was one compared to zero in 2015. This was due to the inclusion of projects as part of the calculation. Our LTI frequency rate also recorded an increase in 2016 as compared to 2015. The increase from zero to 0.16 was due to a single LTI case recorded during the construction of TBE Power Plant On the other hand, the increase in the number of total incidents recorded in 2016 is due to the increase in the reporting of near-miss incidents at plants. For the period between 2014 to 2016, there was no fatality due to any work related incidents recorded.

The HSE Performance of the Malakoff Group over the past five years is outlined below:



SUSTAINABILITY STATEMENT

Talent Retention and Development

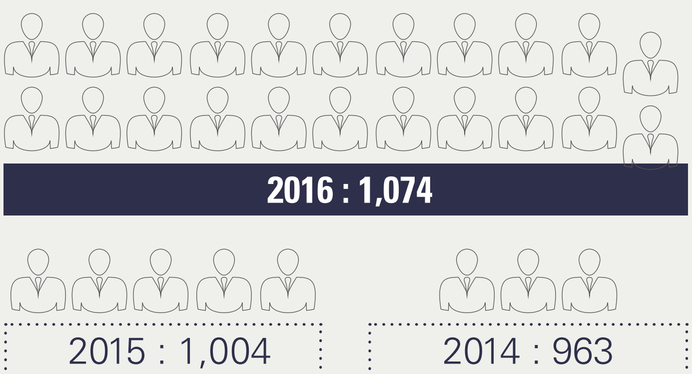
As Malakoff continues to become a premier global power and water company, we recognise the critical need to have a capable and talented workforce who are able to support our aspirations. Throughout the challenges in 2016, we have put in place various initiatives to enrich and elevate the capabilities and competencies of our human capital to drive sustainable productivity. At the same time, our Group Human Resource Division continues to build our leadership pipeline, strengthen the performance culture in Malakoff and rally the support of our people towards achieving the Group's vision and mission.

Our talent, both technical and non-technical, are key to our success. As at 31 December 2016, we had 1,074 employees as part of Malakoff Team. The Group's workforce is ensuring Malakoff is able to operate, produce and serve at the highest level of efficiency and efficacy. The details of our workforce are highlighted below:

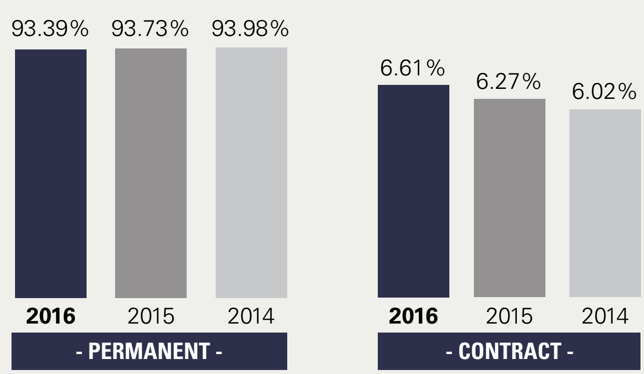
SUSTAINABILITY PERFORMANCE DATA

WORKFORCE

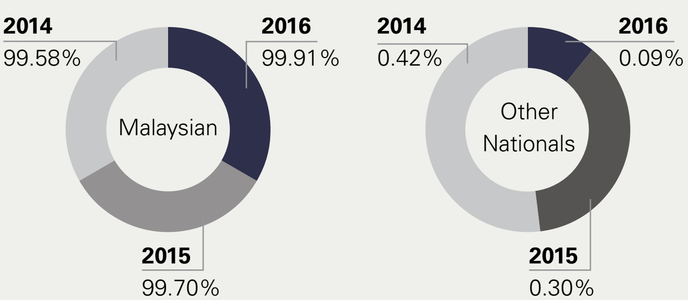
TOTAL NUMBER OF EMPLOYEES



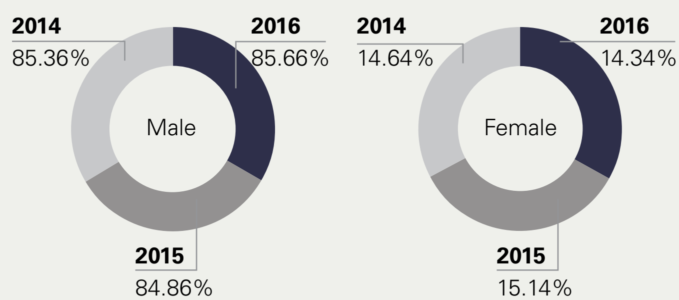
CONTRACT TYPE (%)



BREAKDOWN OF EMPLOYEES (%)



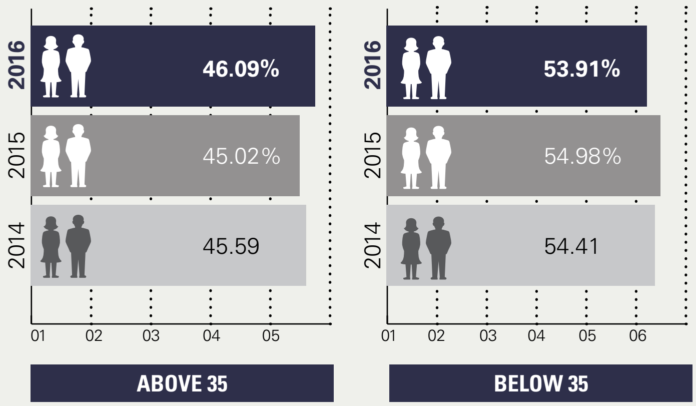
GENDER DISTRIBUTION (%)



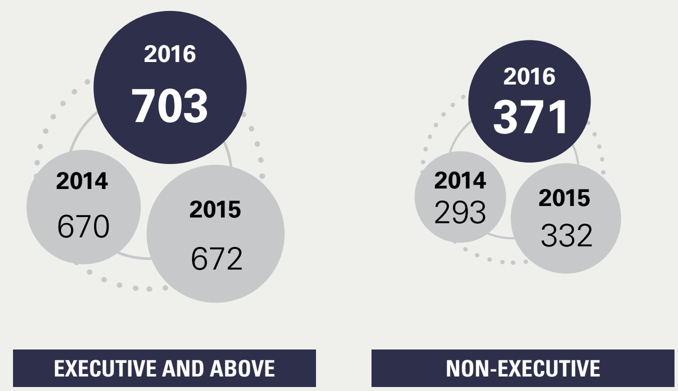
SUSTAINABILITY STATEMENT

WORKFORCE

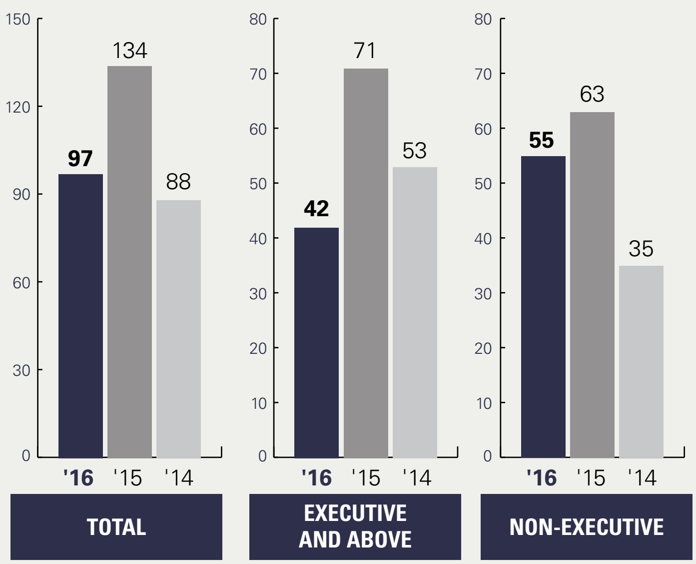
EMPLOYEES ABOVE AND BELOW AGE OF 35 (%)



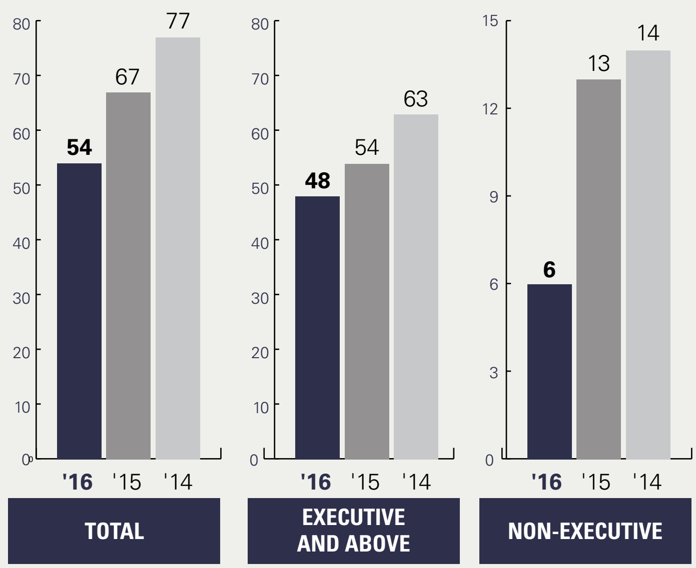
EMPLOYEE GROUP



NO. OF NEW HIRES



TOTAL ATTRITION RATE BASED ON NO. OF EMPLOYEES



Given our ageing workforce and the need to ensure that the Group has the diversity that is required to sustain our business, the Group's Talent Management Committee ("TMC") has been tasked with governing Malakoff's succession management strategies and plans. The TMC also oversees all succession management initiatives to ensure the achievement of the outlined objectives. This is helping ensure that the Group has a continuous supply of competent talent in key leadership positions and specialist roles on both the functional and technical fronts. The TMC also plays a role in ensuring the development and learning experiences of our talent in addressing the competencies required for the different levels of employment. In 2016, Malakoff achieved most of its leadership succession objectives.

Over the course of 2016, we rolled out a database to identify a pool of internal talent as well as undertook gap assessments to review the talent's preparedness to take on bigger roles and responsibilities. The database was made available to the TMC in order for them to review the need for such talent(s) across the Group.

SUSTAINABILITY STATEMENT

Training Programmes

Our nature of business requires employees to be competent in responding to the changing business environment and to have adequate technical skills and capabilities to execute with exceptional speed. For this, the Group continues to provide skills and leadership training to all employees through various methods encompassing formal and informal trainings like classroom sessions at the Group's Academy of Excellence and on-job-training ("OJT") such as short term assignments, special projects and job rotations to build their competency and exposures.

In 2016, the Group invested approximately RM1.1 million on soft skills and leadership training and another RM2.19 million on technical training of which some 1,600 man days and 5,300 man days were utilised respectively. The Group also partnered with a number of programme providers from 2012 to 2016 to run the Leadership Development Programme ("LDP"), Senior Leadership Development Programme ("SLDP") and Supervisor Development Programme (" SDP") in a way to suit to the development needs of selected talent at the middle management level. A total of 50 employees participated in these programmes.

As the demand for skilled and knowledgeable manpower increases, more specialist training initiatives are being developed to ensure business sustainability and growth. To enhance our employees' potential in delivering on their responsibilities, we have set in place plant-specific training simulators at each power plant. These together with our Competency Based Assessment ("CBA") initiatives have served as an effective platform to simulate realistic power plant scenarios for effective technical training and competency assessment.

In 2016, the Group strengthened its professional certification programme offering when we embarked on the Project Management Programme ("PMP") at the Beginner, Intermediate and Certification levels. Ten of our employees were involved in the PMP exam certified by the Project Management Institute ("PMI"). The Group also embarked on a Lean Six Sigma ("LSS") programme to ensure process excellence and enhance shareholder's value creation. About 30 Green belters and 26 Yellow belters were nominated to participate in the programme.

To build a high performance culture and empower the Group's employees, enhancements continue to be made to the current performance management system. The changes throughout the years have involved revisions to the key competencies required for employees to deliver their best performance as well as continuous revision and updates to the Key Performance Indicators ("KPIs"). Previously, our normal performance evaluation was done once a year, however, in 2013 we started to implement this twice a year to ensure that the employees are performing within expectations.

We also recognise that effective and timely performance evaluation sessions enable employees to give of their best throughout their tenure with the Group. During the performance evaluation sessions, both managers and their team members meet twice a year to review and clarify their performance results, determine the training and development gaps, and, discuss career aspirations and plans.

In 2016, we place a strong emphasis on "Performance through Engagement". This calls for Managers to engage with their subordinates constantly and to have a continuous one-on-one feedback session, to ensure that every level of employee in the organisation is aligned towards a common goal.

SUSTAINABILITY STATEMENT

Employee Welfare

All Malakoff's permanent employees are offered a competitive base salary and incentive plans. Our compensation and benefits programmes are streamlined across the Group as far as possible and are benchmarked to the general market. The Group strive to foster employee wellness, health and well-being through competitive wellness benefits.

To provide compensation that is competitive, we have in place a benefits framework that serves to attract and retain employees as well as links to performance and pay. The benefits framework includes:

1. Fixed compensation such as salary and fixed allowance;
2. Variable compensation;
3. Benefits and perquisites such as medical and, insurance coverage; and
4. Recognition programmes

The Group also organises various activities ranging from recreational to volunteering oppurtunitites. In aligning our employees with the Group's ambition, the Group maintains regular and open communication with all employees on important corporate updates and changes. These take place through Townhall sessions, briefings from the Management, as well as emails and the Group's intranet portal. These efforts to engage with the employees aims to make them more productive and help them achieve the desired level of performance.

In 2016, the Group partnered with HayGroup to conduct the 2016 Employee Engagement Survey ("EES"). The objective of the exercise was to gauge the level of engagement of employees across the Group. The results were encouraging as we received a response rate of 81 percent, which demonstrated our employees' commitment towards making Malakoff an engaging workplace. Employees' feedback was reviewed and prioritised in line with identified engagement drivers for further actionable strategic initiatives that will help drive employee engagement.

The Group also organises various activities ranging from recreational activities to volunteering opportunities to engage with employees and other stakeholders. The Group's Kelab Sukan dan Rekreasi Malakoff ("KSRM" or "The Club") serves as an effective platform for this. Registered in January 2016, the Club organises sports and recreational activities for Malakoff staff on a regular basis. For example, for Malakoff Kuala Lumpur headquarters staff, Zumba classes are held at the office training centre after work on a weekly basis. Running and fitness training are also held at the nearby Perdana Botanical Garden after office hours on a weekly basis. These activities are meant to promote healthier living among the Malakoff family.

An initiative called the Malakoff Workplace Wellness Programme ("MWWP") has been set up with the objective of promoting a healthy lifestyle. The said wellness programme is managed by a committee comprising of representatives from HR, KSRM, Corporate Affairs and the power plants. The programmes planned include indoor, outdoor, nutritional and general health activities. A Stop Smoking campaign will be also launched and more importantly, a self-service wellness centre will be established in every business unit so that the employees can monitor their health condition, e.g. blood pressure and glucose count, amongst others.

Employees are also encouraged to participate in various corporate responsibility programmes organised by the Group, such as the Malakoff Turtle Awareness and Malakoff Coral Rehabilitation programmes as part of our engagement with our stakeholders.

Community Investment and Development

Since our inception, we have been deeply entrenched in society and are an active member of the many communities where we live and work. We remain committed to strengthening our relationships with multiple stakeholders so that we can prosper together. We remain committed to our long-term strategy of being a responsible and active participant in the society, by focusing our efforts in the areas of community, education and the environment, especially in the communities in which we operate.

In 2016, Malakoff contributed RM2.4 million towards the construction of the mosque located near the Group-owned Tanjung Bin Power Plant. The new mosque, which can accommodate 500 people at one time, provides a more comfortable and conducive environment for the local community to perform their prayers and other religious activities. The mosque was officiated on 15 January 2016.

Malakoff also gives priority to members of the local communities that apply for vacancies or industrial trainees at its plants. Approximately one-third of our employees are locals from the vicinity of the operating sites. In addition, we also provide opportunities to local contractors in supporting our operations.

Malakoff is deeply committed to undertaking various initiatives focusing on youth education and environmental awareness. To date, Malakoff has adopted 11 schools in Segari (Perak), Prai (Penang), and Tanjung Bin (Johor). Malakoff supports these schools via Malakoff Edufund that aims to equip the schools with better infrastructure and learning tools.

Malakoff is doing its part for the environment by collaborating with the Ministry of Natural Resources and Environment ("NRE") and Department of Marine Parks Malaysia ("JTLM") in its efforts to care for the

SUSTAINABILITY STATEMENT

marine ecosystem. The Malakoff-NRE Coral Rehabilitation Project 2016 held from 26 to 28 September 2016, at Pulau Besar, Mersing, Johor, aimed to highlight the importance of coral in the marine ecosystem and to raise awareness and support from the local community on the threats that they are facing. To date, divers from JTLM and Malakoff have planted 4,000 nubbins around the island and undertaken a coral clean-up. In addition, 10 mooring buoys have been installed at the islands within Johor Marine Park and 300 meters of marker buoys have been placed at the water recreational area at the waters off Pulau Besar.

Malakoff continues its collaboration with the Fisheries Department to implement the annual "Kenali Penyu, Sayangi Penyu" Turtle Awareness and Educational Programme at Segari Turtle Management Centre. This fifth edition of the programme, which aimed to promote public awareness about the threat to turtles, saw 200 volunteers from Malakoff and the Fisheries Department as well as 20 students from Institute of Marine Engineering Technology, Lumut campus of Universiti Kuala Lumpur actively participating in the programme.

SUSTAINABILITY STATEMENT

- ENVIRONMENT -

WE ARE MINDFUL ABOUT SUSTAINABILITY FROM AN ENVIRONMENTAL PERSPECTIVE. IN OPERATING OUR BUSINESSES, WE ARE AT ALL TIMES COMMITTED TO PROTECTING THE ENVIRONMENT AND COMPLYING WITH ALL APPLICABLE ENVIRONMENTAL LAWS AND REGULATIONS. AS PART OF OUR EFFORTS TO PROTECT THE ENVIRONMENT, WE PROMOTE EFFECTIVE MANAGEMENT OF EMISSIONS, WASTE, BIODIVERSITY AND WATER. THE FOLLOWING MEASURES THAT ARE IN PLACE HIGHLIGHT OUR APPROACH TO ENVIRONMENTAL PROTECTION.

Emissions Management

Our facilities report real-time emissions data from the plant to the respective Department of Environment ("DOE") database for online monitoring by the regulator. To ensure compliance with emission limits, our plants employ a stringent emissions control equipment maintenance schedule and ensure optimal operational efficiencies.

All greenhouse gas ("GHG") and non-GHG emissions produced by Malakoff's local generating facilities are directly related to fuel property and combustion process. Emission produced by Malakoff's local generating facilities are as follow:

Type of power station	Non-GHG	GHG
Coal Fired	NOx, SOx, Particulate Matter	CO_2
Gas Turbines (Combined and Open Cycle)	NOx	CO_2

GHG production is reduced by optimizing the units' generating efficiency.

To reduce the impact of non-GHG emissions from our plants, Malakoff's facilities are equipped with the following:

- Filtration equipment to reduce PM emissions – an electrostatic precipitator and fabric filter are installed at TBP Plant and TBE Power Plant respectively;
- Flue Gas Desulphurisation ("FGD") to reduce Sulfur Oxide ("SOx") emissions; and
- Stage combustion to reduce Nitrous Oxide ("NOx") emissions; and
- Dry low NOx combustion systems for our gas turbines plants.

GHG production is minimised though efforts to optimise the units' generating efficiency.

SUSTAINABILITY STATEMENT

Waste Management

Coal ash is the by-product of coal combustion at coal-fired power plants, and the disposal of coal ash is always key to coal fired power plant operations. There are two types of coal ash generated, namely Fly Ash and Bottom Ash. Fly Ash is a light and fine particle that is driven out from the boiler by flue gas, while Bottom Ash is a clinker-like non-combustible residue of the coal combustion that is usually collected from the bottom of the boiler. The coal ash is either stored in the Ash Pond or sold to cement or concrete producers.

In 2016, the 3,100 MW coal-fired power plants at Tanjung Bin generated about 50,000 metric tonnes of Fly Ash and 10,000 metric tonnes of Bottom Ash every month. As part of Malakoff's effort to manage waste, all of the Fly Ash generated was sold to cement producers to produce pulverised fuel cement. The Bottom Ash, however, was stored in the Ash Pond located inside the plant complex.

Biodiversity Management

Environmental Monitoring Procedures ("EMP") have been implemented at all sites under a monitoring programme on the environmental impact of plant operations. In 2016, sampling and analysis of the environmental related parameters were conducted by an external laboratory with DOE accreditation. The monitoring parameters included emissions, effluent, marine water, ground water, river water, and biological parameters (for example mangroves, fishes, birds, and turtles).

Water Management

Malakoff's plants use sea water for process cooling purposes and raw water for general administrative and process requirements. Water used for processes is mainly to replenish water and steam loss to the environment. We obtain our raw water supplies from respective state water supply companies i.e. Perbadanan Pembekalan Air Pulau Pinang ("PBAPP"), Syarikat Air Johor ("SAJ") and Lembaga Air Perak ("LAP").

Malakoff is committed to minimising any disruption to the environment from its usage of natural sources of water (e.g. seawater) in its production process. It does this through a diligent monitoring regime and by employing engineering solutions for continuous process improvement.

At our Tanjung Bin site, the Management of ash pond water has reduced raw water consumption by 20 percent contributing towards a savings of RM1.18 million in raw water costs per annum, while ensuring environmental compliance (e.g. ash pond water level). In addition, the Tanjung Bin site also has in place rainwater harvesting system, which is used for cleaning purpose around the plant area.

TOWARDS A SUSTAINABLE FUTURE

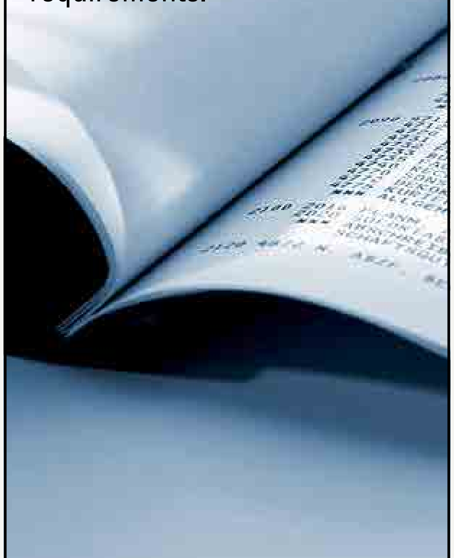
As a conscientious corporate citizen, Malakoff remains deeply committed to balancing out its good economic performance with responsible environmental and social considerations. Even as we set our sights on delivering a sustainable performance on the EES fronts, we will endeavour to ensure that the notion of sustainability becomes embedded within our working culture in a more prominent manner.

To this end, the Group is committed to integrating the sustainability agenda into our overall strategy and operations in a more distinct manner for the long-term as we acknowledge this is key to the success of our business. Going forward, we will focus our efforts on delivering a more comprehensive Sustainability Statement come the next reporting cycle.

In all that we undertake, we will work hard to deliver true and sustainable value as well as establish enduring ties with our diverse stakeholders so that Malakoff strengthens its reputation as a model for responsible corporate behaviour.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") of Malakoff Corporation Berhad upholds its overall responsibility for reviewing the adequacy and effectiveness of its risk management and internal controls processes of Malakoff Corporation Berhad and its subsidiaries ("the Group"). The processes in place are designed to ensure key risk areas are managed to an acceptable level to achieve its business objectives. The Group's risk management and internal control system is an ongoing process designed to meet its needs based on the business direction in line with the changes of business environment, operating conditions and regulatory requirements.



The Board is aware that the risk management and internal control system can only provide reasonable and not absolute assurance against the risk of material loss or occurrences of unforeseeable circumstances. As such, the Board is constantly reviewing the adequacy and integrity of the Group's risk management and systems of internal control.

The Statement on Risk Management and Internal Control is made in accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). This is in line with the Malaysian Code on Corporate Governance ("MCCG") 2012 which requires public listed companies to maintain a sound system of risk management and internal controls to provide assurance and safeguard shareholders' investments, customers' interests and company assets.

RISK MANAGEMENT

Risk management is being practiced across the entire organisation as well as specific functions, programmes, projects and activities. The implementation of risk management strengthens management practices, decision making and the resource allocation process, while at the same time protects stakeholders' interests as well as strengthens trust and confidence in the Group.

Risk Management Framework

The Group is committed to undertaking continual improvements in risk management activities as well as in the assessment, monitoring and review of all key risk areas to ensure a sustainable business that provides steady growth and enhances stakeholder value. The Board's commitment toward this was reflected in the establishment of the Board Risk Committee ("BRC") in November 2014. The BRC function, roles and responsibility has been expanded to include reviewing and recommending the Group's material investment decisions. With the additional scope to the Terms of Reference (TOR), the BRC has been renamed as Board Risk and Investment Committee (BRIC) on 21 November 2016. The BRIC was set up in acknowledgement of the growing importance of the risk management function in safeguarding the interest of the Group and its shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Terms of Reference (TOR): Board Risk and Investment Committee

Purpose	BRIC is established as a committee of the Malakoff Corporation Berhad ("the Company") Board of Directors to oversee the risk management activities of the Group. It supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group. The other primary objective of the BRIC also includes reviewing and recommending to the Board, major investment(s) which may comprise the acquisition and divestment of businesses, companies, land and buildings and the bidding for binding tenders and contracts for new power and water generation projects and assessing the key associated risks, including funding options and costs, and investment returns of such investment in accordance to the Group's Investment Guideline and Policy.
Members	At least two (2) Non-Executive Independent Directors and one (1) Non-Executive Non- Independent Director.
Secretary	The Company Secretary shall act as the Secretary of the Committee, unless otherwise determined by the Chairman of the Committee.
Quorum	Majority of members present.
Frequency of Meetings	At least once in every quarter and at such other times as the Chairman of the Committee considers necessary.
Notice of Meetings	Unless otherwise agreed by the Committee members, notice of each meeting confirming the venue, time and date together with an agenda of items to be deliberated, shall be forwarded to each member of the Committee at least five (5) business days prior to the date of the meeting.
Minutes	The Company Secretary shall minute the proceedings and resolutions of all Committee meetings. Recommendations of the Committee are to be referred to the Board for approval. Minutes of Committee meetings shall be circulated to all members of the Committee. Minutes shall be confirmed by the Committee and signed by the Chairman. Approved minutes shall be distributed to all members of the Board for information at the next Board meeting.
Responsibilities	**Enterprise Risk Management** 1. To review the processes for determining and communicating the Company's risk appetite. 2. To oversee the establishment, implementation and adequacy of the risk management system of the Group of which the effectiveness of the system is reviewed annually. 3. To review and approve the risk management framework and policies to be adopted by the Group. The framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situation and to ensure its relevance at any given time. 4. To review Management's processes for identifying, analyzing, evaluating and treating risks, as well as communicating the identified risks across the Group. 5. To review periodic reports on risk management of the Group and deliberate on key risk issues highlighted by the Management Risk Committee. 6. To report to the Board on the key risks of the Group and the action plans to mitigate these risks. 7. To provide independent assurance to the Board of the effectiveness of risk management processes in the Group. 8. To invite outside counsel, subject-matter experts and other advisors, to the extent it deems necessary or appropriate, to facilitate expert discussion and seek expert opinion. 9. To carry out such other assignments related to risks as may be delegated by the Board. **Investment Review** The other primary responsibility of the BRIC is to assist the Board in reviewing and recommending material investment decisions of the Group which may comprise the acquisition and divestment/ disposal of businesses, investments, companies, land and buildings as well as the bidding for any binding tenders and contracts for new power and water generation project, operation and maintenance services and any other businesses of the Group as well as new businesses intended to be pursued by the Group (referred to as "Project") valuing more than RM500 million (collectively referred to as "Material Investment Decision").

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities (continued)

Authority

1. The financial authority of the BRIC is to consider, evaluate and recommend for the approval of the Board of Directors ("Board"), the Material Investment Decision valuing more than RM500 million after taking into consideration the recommendations and justifications made by the Management Investment Committee of the Company.
2. To evaluate and review the raising of financing/funding necessary to undertake the Material Investment Decision.
3. To perform the activities required to discharge its responsibilities within its terms of reference and make relevant recommendations to the Board;
4. To acquire the resources from internal and external professionals, as it deems necessary, to assist the Committee in the proper discharge of its roles and responsibilities, at the expense of the Company ;and
5. To meet exclusively among itself, whenever deemed necessary. The Committee shall be assisted by the Group Managing Director/Chief Executive Officer, the Chief Financial Officer and the Head of Group Planning & Strategy or any Head of division(s) whatever designation named who are the drivers of the investment initiatives across the Group.

The scope and functions of the BRIC in the review of Material Investment Decision of the Group are set out below:

Planning

Review of the Group's Investment Policy, the strategic direction and plans of the Group pertaining to investments and divestment activities;

Investment Decision

To review and recommend for the Board's approval of any Material Investment Decision requiring the Board's approval in accordance with established thresholds in the approved Limits of Authority of the Group, focusing on the following:

- Evaluate the risks associated with the investment/ divestment/projects, funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment/divestments/projects.
- Advise the Board on potential risk response strategies that need to be adopted in relation to a decision to proceed with the investment/divestments/projects.
- Monitor the execution /operationalization of investments or projects and highlighting key risks to the Board as relevant.
- To review the effectiveness of risk mitigating actions post approval for major investments and projects based on Group Risk Management assessments, and to report the same to the Board.

Monitoring

- To review the Group's investment portfolio to assess the performance of the Group's investments, including emerging risks and opportunities, market outlook (i.e. market study and market analysis), economic indicators, currency market, industry/ regulatory developments as well as key business developments, which may affect the investment portfolio, Group's investment strategy and the Group's financial health.
- Any required changes to the Group's investment portfolio and Group's investment strategy shall be tabled to the Board for approval;
- To review actual financial and operational performance of investments or projects against projected returns (i.e. return on investment, implementation timelines), and reporting the same to the Board.

To undertake any other necessary duties, as mutually agreed by the Committee and the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Management Risk Committee ("MRC") continuously supports the BRIC in integrating risk management strategies, policies, risk tolerance and risk appetite as well as in reviewing the application of risk management practices across Malakoff Corporation Berhad, in line with its Enterprise Risk Management Policy and Framework ("ERMPF").The ERMPF is based on ISO 31000:2009 Risk Management – Principles and Guidelines codified by the International Organisation for Standardisation ("ISO").

Risk management is integrated into the Group's everyday business activities and risk-based evaluation is incorporated into its decision making process. This demonstrates the emphasis placed by the Board on the risk management agenda and underlines the importance of a well-managed risk management programme. Echoing the tone of the Board, the MRC continues to reinforce risk management principles among employees to ensure continuous improvement at all levels.

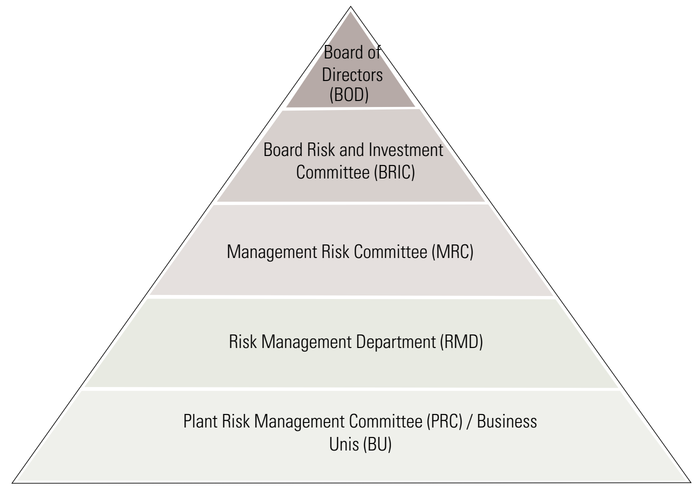
The Group defines risk as events that could affect its objectives. It is measured by the likelihood of the risk occurring and the impact if the risk occurs. The ERMPF will ensure that the process of identifying, evaluating and treating risk are in place to protect the Group from material losses. It will assist the Group in making decisions and prioritising the implementation of the risk treatment.

Monitoring and Review

Monitoring and reviewing of risks is an essential and integral part of the risk management process for the Group. Monitoring and reviewing the risk provides the Group reasonable assurance that risks are being managed effectively as expected and ensure that risk profiles anticipate and reflect the changing business conditions and potential exposure.

Risk Reporting

On a quarterly basis, the identified risks are discussed and deliberated at the MRC meeting chaired by the Group Managing Director ("GMD"). The reports are subsequently tabled to the BRIC for deliberation and recommendations. The Board notes the report on the risks faced by the Group and actions taken by Management to mitigate the risks. The overview of the Group's reporting structure is provided in the table below:



Malakoff Corporation Berhad strives to continually improve the processes in place and will further enhance these practices based on the recommendations of MCCG 2012 and the revised guidelines on the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

Corporate Digital Assurance

To enhance the Group's risk management practises, a Corporate Digital Assurance module had been employed in the Enterprise Risk Management ("ERMS") to ensure that the scorecard owners, risk owners, control owners and action plan owners provide assurance with respect to the status of all material risks, controls and management actions.

The respective owners will provide assurance that they have reviewed and updated the Corporate Risk Scorecard system with the status of all material risks, controls and management actions.

In relation to the Risk Management process, the owners also certify that:

- The risks, controls and management actions information within the Corporate Risk Scorecard are accurate and complete.
- Where exposure is considered acceptable they have documented and validated that the control activities are in place and are effective.
- Where an individual risk has been assessed as unacceptable, management actions have been formulated and individuals have been identified as owners, with accompanying due dates to address the risk.
- To the extent that an individual risk is not perceived to be within their control (either directly or as delegated to the immediate Management team), it will be documented and elevated to the appropriate level of Management within the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In addition, the owners also confirm that the risk management process has been complied with and the information for which they are responsible for under Corporate Risk Scorecard fairly reflects the position of the Group.

INTERNAL CONTROL SYSTEM

The key features of the Group control structure that provide reasonable assurance against the occurrence of an event that could prevent the achievement of business objectives are as follows:

The Board

The Board of Malakoff Corporation Berhad provides direction and oversight on internal controls. The terms of reference and responsibilities are defined together with the Board Charter. The specific lines of responsibility, accountability and delegation of authority as approved by the Board to facilitate the Group's operations rest with the GMD and MRC.

Business Plan, Budget and Reporting

Malakoff Corporation Berhad establishes annual business plans and budgets that have been recommended by Management and approved by the Board before commencement of the new financial year.

The Board reviews the result against budget on a quarterly basis in conjunction with the public announcement of the Group's quarterly financial result under the Main Market Listing Requirement of Bursa Securities.

Policies and Procedures

Documented internal policies and procedures are in place to ensure compliance with internal controls and the relevant rules and regulations. They are reviewed regularly to ensure that the gaps in controls are addressed and where required, policies and procedures are revised to meet with the business climate.

Limit of Authorisation

Authorisation limits in respect of organisational requirements such as purchasing of goods and services, cash management and disbursements, contracting and banking transactions are clearly defined and documented. The limits are reviewed and updated regularly to reflect the business environment, operational and structural changes.

Internal Audit

The Internal Audit Department ("IAD") provides an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group. This includes evaluating the adequacy, effectiveness and integrity of internal control system and risk exposures relating to the Group's governance, operations and information system.

The IAD reports functionally to the Board Audit Committee ("BAC") and administratively to the GMD. IAD is independent of the activities that it audits and perform its duties in accordance with the Internal Audit Charter as approved by the BAC.

For the financial year ended 31 December 2016, the IAD carried out seven full audits and seven follow-up audits covering the areas of power plant operation and maintenance, inventory and warehouse management, health, safety, security and the environment, scheduled wastes management, procurement and finance. In addition, IAD also conducted four special review assignments upon request by the Management. Observations arising from the aforesaid audit activities were reported and presented together with the agreed upon management action plans to the BAC.

IAD also monitors and provides quarterly update to the BAC on the status of corrective actions undertaken by Management based on the audit recommendations by IAD from the audits performed. Details of the internal audit function and activities are presented in the Statement on Internal Audit Function on page 115 of this Annual Report.

Whistle Blowing

The Group's Whistleblower Policy launched in 2015 provides employees and third parties dealing with the Group with proper procedure to disclose cases of improper conduct such as misconduct or criminal offences or malpractices to the Group.

A Whistleblower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the Whistleblowers from Detrimental Actions that may result from the disclosure of Improper Conduct, provided that the disclosure is made in good faith. The Whistleblower Policy is also to ensure that fair treatment is provided to both the Whistleblower and the alleged wrongdoer when a disclosure of Improper Conduct is made.

A disclosure of Improper Conduct can be made orally or in writing via a letter or e-mail to whistleblowing@malakoff.com.my which is accessible only by the Chief Internal Auditor of Malakoff Corporation Berhad.

Joint Venture and Associates

Malakoff Corporation Berhad ensures that investment and interest 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 and/or associates is also responsible to oversee the operation and performance of the joint venture and/or associates.

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:

- A quarterly review of the Group's actual financial and operational performance against planned performance and other key financial and operational performance indicators.

- The Risk Management Department's presents the Risk Management Report to the BRIC every quarter to provide an overview of the Group's key risks and action plans in mitigating the risks. The BRIC notes and provides its views which are then communicated to the respective risk owners by the Risk Management Department. The report is then escalated to the Board upon deliberation by BRIC; and

- BAC deliberates and discusses reports issued by the Internal Audit report and external auditors pertaining to financial, operational, governance, risk management and control matters. The status of preventive and corrective actions for issue discussed are also updated to the BAC to enable monitoring of the actions.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS

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

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

The Board is of the opinion that the risk management and internal control are adequate and effective in providing reasonable assurance for the year under review.

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board dated 7 March 2017.

BOARD AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") of Malakoff Corporation Berhad is pleased to present the Board Audit Committee ("BAC" or "the Committee") Report for the financial year ended 31 December 2016.

MEMBERS OF BAC

Datuk Dr. Syed Muhamad Syed Abdul Kadir
Independent Non-Executive Director
Chairman

Tan Sri Dato' Seri Alauddin Dato' Md Sheriff
Independent Non-Executive Director
Member

Datuk Idris Abdullah
Independent Non-Executive Director
Member

Datuk Ooi Teik Huat
Non-Independent Non-Executive Director
Member
(Member of the Malaysian Institute of Accountants and CPA Australia)

THE TERMS OF REFERENCE

The BAC was established by the Board on 9 November 2007 and was reconstituted on 11 December 2012. The BAC is governed by the Terms of Reference as stated herein which was revised and approved by the Board on 17 August 2016 to be in line with the amendments to the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The revision also included the Recommendation 5.2 of the Malaysian Code of Corporate Governance 2012 which had recommended that the BAC set policies and procedures to assess the suitability and independence of external auditors. The Committee's primary objectives are as follows:

1. To assist the Board in fulfilling its statutory and fiduciary responsibilities in examining and monitoring the Company and its subsidiaries' ("the Group") management of business, financial risk processes, accounting and financial reporting practices;

2. To determine the adequacy and effectiveness of the administrative, operational and internal accounting controls of the Group and to ensure that the Group is operating in accordance with the prescribed procedures, codes of conduct and applicable legal and regulatory requirements;

3. To serve as an objective party independent from the management team in the review of the financial information of the Company and Group presented by the management for distribution to shareholders and the general public;

4. To provide direction and oversight over the internal and external auditors of the Company to ensure their independence from the management; and

5. To evaluate the quality of audits conducted by the internal and external auditors on the Company and Group.

The BAC reports to the Board on the matters falling within the Committee's terms of reference on a quarterly basis.

BOARD AUDIT COMMITTEE REPORT

Composition

Under its Terms of Reference, the BAC shall have at least three (3) members with the majority being independent Non-Executive Directors. The members of the Committee shall elect a Chairman from among the members who shall be an Independent Non-Executive Director. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or have at least three (3) years working experiences and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967 and to fulfil such other requests as prescribed and approved by the Exchange.

No alternate Director shall be the member of the Committee. In order to form a quorum in respect of a meeting of the BAC, the majority of members present must be independent directors. If a member of the Committee resigns, dies and for any reason ceases to be a member resulting in the non-compliance with the above paragraph, the Board shall, within three (3) months of that event, appoint such number of new members as may be required.

The Nominating Committee must review the term of office and performance of an audit committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

Meetings and Minutes

Meetings shall be held at least four (4) times a year or more frequently as circumstances dictate. The Chairman shall call a meeting of the Committee, if requested to do so by any BAC member, the management or the internal or external auditors.

During the financial year ended 31 December 2016, eight (8) BAC meetings were held. The BAC members and the details of their attendance at the BAC meetings are as follows:

Members	No. of meetings attended
Datuk Dr. Syed Muhamad Syed Abdul Kadir	8 out of 8
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff	7 out of 8
Datuk Idris Abdullah	8 out of 8
Datuk Ooi Teik Huat	8 out of 8

A representative of the external and internal auditors shall normally be invited to attend the meetings of the BAC. The Head of Internal Audit and Company Secretaries (who are also the secretaries to the BAC) are also in attendance during the meetings.

Upon the invitation of the BAC, the Group Managing Director ("GMD") or Chief Executive Officer ("CEO") and other officers will attend the BAC meetings to deliberate on matters within their purview. Other board members may attend BAC meetings upon the invitation of the BAC.

After each meeting, the BAC Chairman submits a report on matters deliberated to the Board of Directors for their information and attention. Matters reserved for the Board's approval are tabled at the Board meetings. Action lists are issued by the Company Secretary on the decisions made and actions required by the relevant personnel and the management for their action.

The BAC shall meet at least twice a year with the internal and external auditors without the attendance of the executive members of the Committee (of which there are currently none) and the management of the Company.

Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board. The Chairman of the Committee shall report on each meeting to the Board. The Chairman of the BAC should engage on a continuous basis with senior management, the Chairman of the Board, the GMD or the CEO, the Chief Financial Officer, the Financial Controller, and the internal auditors to be kept informed of matters affecting the Company.

Authority

The Committee is authorised by the Board:

- to investigate any matter within its terms of reference;
- to have the resources in order to perform its duties and responsibilities as set out in its term of reference;
- to have full and unrestricted access to information pertaining to the Company and the Group including the ability to call on any officers of the Company and/or the Group in carrying out the Committee's duties;
- to have direct communication channels to the internal and external auditors;
- to obtain, at the expense of the Company, external legal or other independent professional advice if it considers necessary; and
- to convene meetings with the external auditors or the internal auditors without the attendance of the executive members of the Group, whenever deemed necessary.

BOARD AUDIT COMMITTEE REPORT

Duties and Responsibilities

The duties and responsibilities of the BAC comprise among others, the following:

(a) External audit

(i) to consider the appointment of the external auditors including the audit fees and any questions in relation to the resignation or dismissal of the external auditors before making a recommendation to the Board;

(ii) to review and discuss with the external auditors, before the audit commences, the nature and scope of the audit, and to discuss any significant problems that may be foreseen with the external auditors before the audit commences, as well as to ensure that the audit is carried out effectively and efficiently for the Company and the Group;

(iii) to review the audit findings and management's responses including the status of previous audit recommendations.

(iv) To review with the external auditors the following:
- their audit plan and ensure coordination where more than one audit firm is involved;
- their evaluation of the system of internal controls;
- their audit report; and
- the adequacy of assistance given by Group employees to the external auditors;

(v) To ensure the proper policies and procedures are established and to assess the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirement; and

(vi) To set policy on non-audit services which may be provided by the external auditors, and conditions and procedures which must be adhered to by the external auditors in the provision of such services.

(b) Internal audit ("IA")

(i) to review the IA plan, consider the major findings of IA and management's responses, monitor the implementation of any recommendations made therein and ensure effective coordination between the internal and external auditors;

(ii) to review the adequacy of the scope, functions, competency and resources of the IA programme, IA functions and that it has the necessary authority to carry out its work;

(iii) to review the audit reports and results of the IA process and where necessary, ensure that appropriate action is taken on recommendations of the IA function;

(iv) to direct and where appropriate, supervise any special project or investigation considered necessary;

(v) to prepare periodic reports to the Board summarising the work performed in fulfilling the BAC responsibilities;

(vi) to determine the remit of the IA function which reports directly to the BAC. The IA function should be independent of the activities they audit and should be performed impartially, with proficiency and due professional care;

(vii) to review and appraise or assess the performance of members of the IA function/firm carrying out the IA function; and

(viii) to consider the major findings of internal investigations and management's response.

(c) Financial reporting review

(i) to review with the management and the external auditors, the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
- any change in accounting policies and practices;
- significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- compliance with accounting standards; and
- compliance with other legal requirements and the MMLR of Bursa Securities.

BOARD AUDIT COMMITTEE REPORT

(d) Related party transactions ("RPTs")

(i) to review any RPTs and conflicts of interest situation that may arise within the Company or Group including any transaction, procedure or course that raises questions about management's integrity; and

(ii) to review the procedures set by the Company to monitor RPTs to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third-parties dealing at arm's length and are not to the detriment of the Company's minority shareholders.

(e) Internal control

(i) to review the effectiveness of internal control systems and the internal and/or external auditors' evaluation of these systems.

(f) Other matters

(i) to arrange for periodic reports from the management, the external auditors and the internal auditors to assess the impact of significant regulatory changes and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;

(ii) to discuss problems and reservation arising from the IA, interim and final audits, and on matters that the internal and external auditors may wish to discuss (in the absence of the management, where necessary);

(iii) to report to the Board at least once a year, the work of the BAC in discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities, including the number of meetings held during the year and the details of attendance of each audit member in respect of the meetings; and a summary of the work of the IA function or activity;

(iv) to ensure that the Company discloses in its annual report an Audit Committee Report for the financial year, pursuant to the Listing Requirements;

(v) where the BAC is of the view that a matter reported by it to our Board has not been satisfactorily resolved resulting in a breach of the MMLR, the BAC must promptly report such a matter to Bursa Securities and/or the Securities Commission ("SC"); and

(vi) to carry out any other functions that may be mutually agreed upon by the Board.

SUMMARY OF WORKS BY THE BAC

In discharging its duties and responsibilities in accordance with its Terms of Reference, the BAC had carried out the following work during the financial year ended 31 December 2016:

(a) Financial Reporting

(i) Reviewed and discussed the interim financial results with the management and the external auditors on a quarterly basis and had considered and assessed the implementation of changes in the accounting policy adopted by the Company, its subsidiaries and associates before recommending the same to the Board;

(ii) Reviewed and discussed with the management and external auditors on the accounting policies adopted by the Group to ensure conformity to the applicable approved accounting standards including the appropriateness of the accounting provisions and changes in estimates made in the financial statements of the Group based on the principles of prudence. This is to ensure that the financial statements of the Company and of the Group are drawn to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 of Malaysia;

(iii) Reviewed the unaudited interim financial results and annual audited financial statements of the Company and of the Group for the financial year ended 31 December 2016 prior to recommending it to the Board for approval of announcement to Bursa Securities and SC;

BOARD AUDIT COMMITTEE REPORT

(iv) Deliberated on significant new and recurring audit matters identified by the External Auditors on a quarterly basis including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and received progress updates from Management on actions taken for improvements;

(v) Reviewed declarations of the final and interim dividends of the Company including the assessing the solvency of the Company before such declaration are made as required under Companies Act 2016 (only in respect of the declaration of the final dividend for the FY2016) before recommending the same to the Board; and

(vi) Reviewed the BAC Report and Statement on Internal Audit Function for inclusion in the Annual Report for the financial year ended 31 December 2016 ("Annual Report 2016") to ensure the contents therein are accurate and in compliance with the MMLR of Bursa Securities.

(b) IA

(i) Reviewed and approved the new structure of the Internal Audit Department ("IAD"), staffing requirements, budget and Annual Internal Audit Plan for 2017 to ensure adequacy of resources, competencies and coverage of auditable entities with significant and high risks;

(ii) Reviewed and approved the Internal Audit Charter which establishes the framework for the effective and efficient functioning of the IAD in the Company and defines the purpose, authority, responsibility, independence and objectivity of the IAD;

(iii) Reviewed and deliberated on the IA reports tabled during the year which highlighted on key control issues, root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans to be implemented by Management. The BAC has directed Management, where appropriate to rectify and improve control procedures and workflow processes based on IA recommendations and suggestions for improvement;

(iv) Monitored the progress and status of action plans or corrective actions undertaken by Management on the outstanding audit issues to ensure that all key risks and control lapses have been addressed;

(v) Reviewed and deliberated on the findings from investigation audits performed based on complaints received through whistleblowing channels and recommended appropriate remedial actions/measures to be taken;

(vi) Reviewed and deliberated on the IA reports on the effectiveness and adequacy of governance, risk management, operational and compliance processes;

(vii) Reviewed the adequacy and effectiveness of agreed corrective actions undertaken by the management on all audit issues raised through the follow-up audit reports;

(viii) Suggested additional improvement opportunities in the areas of the system of internal controls within the organisation;

(ix) Reviewed the effectiveness and adequacy of the audit process, resource requirements and assessed the performance of the IAD for the year. The BAC carried out a performance assessment review of the IAD in respect of the quality of audit, scope of the audit, adequacy of resources and suitability of staff in the IAD for the financial year ended 31 December 2016; and

(x) Met with the internal auditors without the presence of the management to ensure there were no restrictions on the scope of their audit and to discuss any matters that they may wish to present.

(c) External Audit

(i) Reviewed the external auditors' terms of engagement, audit plan, audit strategy and scope of work for the financial year;

(ii) Reviewed the findings highlighted, audit report and management letter, deliberated on the Management's responses thereto and evaluated the recommended improvement action plans to ensure the areas of concern are adequately mitigated;

BOARD AUDIT COMMITTEE REPORT

(iii) Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services and the corresponding fees;

(iv) Reviewed the results and issues arising from the external audit for the financial year and the resolution of issues highlighted in their report to the BAC as well as the management's response;

(v) Reviewed the annual report and the audited financial statements of the Company and Group prior to the submission to the Board for their perusal and approval. This is to ensure compliance of the financial statements with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board;

(vi) Reviewed key changes to the accounting and financial reporting standards, auditing standards, Companies Act 1965 as well as MMLR and the consequential impacts therefrom to ensure the Group's compliance with regards to the quarterly and year-end financial statements;

(vii) Assessed the performance and effectiveness of the external auditors and made recommendations on their appointment and audit fee with management's feedback; and

(viii) Met with the external auditors without the presence of the management to ensure there was no restriction to the scope of their audit and to discuss any matters that they may wish to present.

(d) RPTs

(i) Reviewed the report of RPTs including related recurrent related party transactions ("RRPTs") entered into by the Company and the Group on a quarterly basis for monitoring of the Company's obligations to the thresholds prescribed by the MMLR and for compliance of such obligations under the MMLR, if any. The BAC was also satisfied that all RPTs and RRPTs were within arm's length, fair, reasonable and on normal commercial terms and not detrimental to the interests of the minority shareholders.

(e) Others

(i) Reviewed the revised Terms of Reference of the BAC prior to the recommendation to the Board for adoption;

(ii) Reviewed and recommended the proposed non-audit services policy and procedures for the Company and the Group;

(iii) Reviewed and recommended the proposed revision of the Policies and Procedures of the RPTs and RRPTs;

(iv) Reviewed and recommended the revised Limits of Authority for the Board's approval;

(v) Reviewed major litigations, claims and/or issues with substantial financial impact; and

(vi) The Board as a whole conducted a BAC assessment on its composition, size and effectiveness, the result of which was highly satisfactory.

IA FUNCTIONS

The BAC is supported by the IAD in discharging its duties and governance responsibilities. The IAD reports functionally to the BAC and administratively to the GMD and is independent of the activities that they audit and perform their duties with impartiality, proficiency and due professional care.

The BAC has full and direct access to the IAD and the results from IAD's audit engagements are reported to the BAC on a quarterly basis and this reporting is a permanent item on the agenda during the BAC's regular meetings.

BOARD AUDIT COMMITTEE REPORT

The IAD supports the BAC by providing an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group and is responsible to evaluate the adequacy, effectiveness and integrity of key internal control systems and risk exposures of the Group's governance, operations and information systems in relation to:

a) Achievement of the Group's strategic objectives;
b) Reliability and integrity of financial and operational information;
c) Effectiveness and efficiency of operations;
d) Safeguarding of assets;
e) Economic utilization of resources; and
f) Compliance with relevant laws, regulations, policies, procedures and contractual obligations

In addition, the IAD is also responsible for the administration of the Company's Whistleblower Policy which provides an avenue for employees and third parties dealing with the Company to disclose cases of Improper Conduct such as misconduct or criminal offences or malpractices to the Company.

During the financial year, IAD had carried out seven (7) full audits, seven (7) follow-up audits and four (4) special review assignments covering the areas of power plant operation and maintenance, inventory and warehouse management, procurement, finance and health, safety, security and environment. In addition, the Company's major shareholder i.e. MMC Corporation Berhad, through its Group IAD also supported the IAD by performing four (4) full audits and four (4) follow up audits on the Group covering procurement, human resources, related party transactions and treasury.

Observations on key control issues arising from the aforesaid audit activities were reported and presented to the BAC together with the agreed upon Management action plans. IAD also monitors and provides quarterly updates to the BAC on the status and progress of the action plans undertaken by Management based on the audit recommendations from the audits performed. The total costs incurred for the internal audit function for the financial year was RM1.38 million.

Details of the Company's internal audit function and activities are presented in the Statement on Internal Audit Function on page 115 of this Annual Report.

This statement is made in accordance with the resolution of the Board of Directors duly passed on 7 March 2017.

STATEMENT ON INTERNAL AUDIT FUNCTION

The Internal Audit Department ("IAD") was established in 2014 to support the Board through the Board Audit Committee ("BAC") in discharging its duties and governance responsibilities of maintaining a sound internal control system to safeguard shareholders' investment, the interest of stakeholders and the Group's assets.

The Internal Audit function is considered an integral part of the assurance framework and IAD's mission is to provide an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group. At the same time, IAD assists the BAC and Management to achieve the Company's goals and objectives by bringing a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management and control processes within the Group.

The purpose, authority, responsibility, independence and objectivity of the IAD are spelt out in the Internal Audit Charter. The standards and practices adopted by IAD are aligned to the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors.

The IAD reports functionally to the BAC and administratively to the Group Managing Director ("GMD"). The BAC reviews and approves the Annual Internal Audit Plan, budget and departmental structure to ensure that the department is adequately resourced with competent staff to perform the function effectively. The roles and responsibilities of IAD are as follows:

i. Evaluate the adequacy, effectiveness and integrity of key internal control systems and risk exposures of the Group's governance, operations and information systems in relation to:

   a) Achievement of the Group's strategic objectives;
   b) Reliability and integrity of financial and operational information;
   c) Effectiveness and efficiency of operations;
   d) Safeguarding of assets;
   e) Economic utilization of resources; and
   f) Compliance with relevant laws, regulations, policies, procedures and contractual obligations

ii. Preparation of a risk based Annual Internal Audit Plan that is aligned to the Group's strategic objectives and takes into consideration past audit history, inputs and feedback on any risk and control concerns from the BAC and Management;

iii. Carry out internal audit assignments as per the approved Annual Internal Audit Plan and report to the BAC on key control issues, root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans;

iv. Monitor the progress of Management agreed action plans or corrective actions to address the control issues highlighted by IAD;

v. Perform follow-up audits to determine whether the Management-agreed action plans or corrective actions highlighted from past audit reports have been correctly implemented and adhered to consistently;

vi. Undertake ad-hoc assignments, special reviews or investigations as requested by the BAC or Management and presenting the results to the appropriate levels of Management and the BAC; and

vii. Maintain professional audit staff with sufficient knowledge, experience and skills.

In addition, the IAD is also responsible for the administration of the Company's Whistleblower Policy which provides an avenue for employees and third parties dealing with the Company to disclose cases of Improper Conduct such as misconduct or criminal offences or malpractices to the Company. Any disclosure of Improper Conduct can be made orally or in writing via a letter or e-mail to whistleblowing@malakoff.com.my which is accessible only by the Chief Internal Auditor.

For the financial year ended 31 December 2016, the IAD conducted various internal audit engagements in accordance with the Annual Internal Audit Plan that are consistent with the Group's goals as well as complexity and risks of its activities. During the year, IAD carried out seven (7) full audits, seven (7) follow-up audits and four (4) special review assignments covering the areas of power plant operation and maintenance, inventory and warehouse management, procurement, finance and health, safety, security and environment. In addition, the Company's major shareholder i.e. MMC Corporation Berhad, through its Group IAD also supported the IAD by performing four (4) full audits and four (4) follow up audits on the Group covering procurement, human resources, related party transactions and treasury.

The internal audit reports were tabled and presented to the BAC for deliberation and highlighted on key control issues, root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans to be implemented by Management. The progress of these action plans are monitored by IAD and its progress status are being reported to the BAC by IAD on a quarterly basis.

As at 31 December 2016, the total number of personnel in IAD was six (6) including the Chief Internal Auditor and IAD is committed to equip its auditors with adequate knowledge and proficiencies to discharge their duties and responsibilities. The total cost incurred by the internal audit function for the financial year was RM1.38 million.

This statement is made in accordance with the resolution of the Board of Directors duly passed on 7 March 2017.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

During the financial year, no equity proceeds were raised by the Company. As such there is no utilisation of proceeds to report. The proceeds from the Group's Initial Public Offer in the preceding financial year has been fully utilised as reported in the Annual Report 2015.

AUDIT FEES AND NON AUDIT FEES

The fees paid/payables to the external auditors, KPMG PLT ("KPMG") in relation to the audit and non-audit services to the Group and Company for the financial year ended 31 December 2016 are as follows :

	Group 2016 RM'000	Company 2016 RM'000
Audit fees	1,975	743
Non-audit fees*	1,322	576
	3,297	1,319

* The non-audit fees paid/payable to KPMG primarily relates to tax services and advisory services in relation to potential acquisitions and sustainability reporting training.

MATERIAL CONTRACT

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiary companies which involved the interest of directors, chief executive officer who is not a director or major shareholders during the financial year ended 31 December 2016.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	355,463	248,458
Non-controlling interests	50,579	-
	406,042	248,458

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) a final single-tier dividend of 2.00 sen per ordinary share totalling RM100,000,000 in respect of the financial year ended 31 December 2015 on 27 May 2016.

ii) a single-tier interim dividend of 3.50 sen per ordinary share totalling RM175,000,000 in respect of the financial year ended 31 December 2016 on 4 October 2016.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2016 of 3.50 sen per ordinary share amounting to RM175,000,000 (based on 5,000,000,000 ordinary shares in issue as at 31 December 2016) will be proposed for the shareholders' approval.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)
Datuk Wira Azhar bin Abdul Hamid (Group Managing Director) (appointed on 1 May 2016)
Dato' Sri Che Khalib bin Mohamad Noh
Datuk Muhamad Noor bin Hamid
Tan Ler Chin
Datuk Ooi Teik Huat
Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff
Datuk Idris bin Abdullah @ Das Murthy
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
Dato' Wan Kamaruzaman bin Wan Ahmad
Zalman bin Ismail (alternate Director to Dato' Wan Kamaruzaman bin Wan Ahmad)
Kohei Hirao

DIRECTORS' INTERESTS IN SHARES

The interests in the shares of the Company and of its related corporations of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2016	**Bought**	**(Sold)**	**At 31.12.2016**
Direct interests in the Company:				
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	290,000	-	-	290,000
Datuk Wira Azhar bin Abdul Hamid	-	531,700	-	531,700
Dato' Sri Che Khalib bin Mohamad Noh	420,000	-	-	420,000
Datuk Muhamad Noor bin Hamid	321,200	-	-	321,200
Datuk Ooi Teik Huat	420,000	-	-	420,000
Datuk Idris bin Abdullah @ Das Murthy	290,000	-	-	290,000
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	150,000	-	-	150,000

None of the other Directors holding office at 31 December 2016 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or in the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………..

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail
Chairman

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Datuk Wira Azhar bin Abdul Hamid
Director

Kuala Lumpur

Date: 7 March 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group			Company	
		31.12.2016	**31.12.2015**	**1.1.2015**	**31.12.2016**	**31.12.2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	Note		**Restated**	**Restated**		
Non-current assets						
Property, plant and equipment	3	14,604,469	15,059,639	14,323,952	39,254	43,168
Intangible assets	4	3,721,431	4,206,253	4,704,227	-	-
Prepaid lease payments	5	68,336	69,852	70,331	-	-
Investment in subsidiaries	6	-	-	-	8,134,741	8,134,741
Investment in associates	7	1,476,010	1,140,887	1,165,732	1,231,860	983,200
Investment in a joint venture	8	-	55,440	57,885	-	-
Finance lease receivable	9	2,264,999	2,197,169	1,990,974	-	-
Derivative financial assets	10	670,796	509,010	99,147	-	-
Other receivables	11	91,902	102,615	114,793	-	-
Deferred tax assets	12	69,568	71,686	72,566	-	-
Total non-current assets		22,967,511	23,412,551	22,599,607	9,405,855	9,161,109
Current assets						
Trade and other receivables	11	2,046,557	1,882,638	1,304,283	1,201,357	1,373,199
Inventories	13	662,273	575,094	518,434	-	-
Current tax assets		176,592	235,039	272,469	23,066	23,900
Other investments	14	1,403,801	629,241	321,509	-	-
Cash and cash equivalents	15	3,006,802	2,853,346	3,574,900	320,490	313,135
Total current assets		7,296,025	6,175,358	5,991,595	1,544,913	1,710,234
Total assets		30,263,536	29,587,909	28,591,202	10,950,768	10,871,343
Equity						
Share capital	16	500,000	500,000	355,523	500,000	500,000
Share premium	16	5,192,215	5,192,215	3,575,837	5,192,215	5,192,215
Reserves	16	111,162	37,623	61,274	840	840
Retained profits/(Accumulated losses)		112,335	35,276	(66,572)	3,917,541	3,949,293
Equity attributable to owners of the Company		5,915,712	5,765,114	3,926,062	9,610,596	9,642,348
Non-controlling interests		215,583	215,004	212,967	-	-
Total equity		6,131,295	5,980,118	4,139,029	9,610,596	9,642,348

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONTINUED)

		Group			Company	
		31.12.2016	**31.12.2015**	**1.1.2015**	**31.12.2016**	**31.12.2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	Note		**Restated**	**Restated**		
Non-current liabilities						
Loans and borrowings	17	15,626,429	16,624,567	17,493,217	-	-
Employee benefits	18	94,828	84,898	74,907	19,600	13,599
Provision for decommissioning cost	19	85,625	68,058	-	-	-
Deferred income	20	3,230,403	2,968,256	2,811,196	-	-
Derivative financial liabilities	10	153,681	152,497	167,338	-	-
Deferred tax liabilities	12	1,776,677	1,979,787	2,013,779	1,705	426
Total non-current liabilities		20,967,643	21,878,063	22,560,437	21,305	14,025
Current liabilities						
Trade and other payables	21	1,002,243	824,322	964,646	1,318,867	1,214,970
Provision for decommissioning cost	19	-	-	10,868	-	-
Current tax liabilities		117,378	12,134	23,872	-	-
Loans and borrowings	17	1,910,419	723,041	734,262	-	-
Derivative financial liabilities	10	31,411	29,124	27,704	-	-
Deferred income	20	103,147	141,107	130,384	-	-
Total current liabilities		3,164,598	1,729,728	1,891,736	1,318,867	1,214,970
Total liabilities		24,132,241	23,607,791	24,452,173	1,340,172	1,228,995
Total equity and liabilities		30,263,536	29,587,909	28,591,202	10,950,768	10,871,343

The notes on pages 131 to 234 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
	Note		Restated		
Revenue	22	6,098,420	5,301,987	362,136	286,231
Cost of sales		(4,385,710)	(3,699,687)	-	-
Gross profit		1,712,710	1,602,300	362,136	286,231
Other income		125,780	71,987	3,261	3,055
Administrative expenses		(221,741)	(216,344)	(99,072)	(95,393)
Other operating expenses		(177,379)	(149,085)	-	-
Results from operating activities		1,439,370	1,308,858	266,325	193,893
Finance income	23	191,252	192,053	56,186	85,358
Finance costs	24	(1,012,045)	(794,618)	(59,470)	(101,155)
Net finance costs		(820,793)	(602,565)	(3,284)	(15,797)
Share of profit/(loss) of equity-accounted associates and a joint venture, net of tax		18,964	(5,102)	-	-
Profit before tax		637,541	701,191	263,041	178,096
Income tax expense	25	(231,499)	(206,144)	(14,583)	(18,902)
Profit for the year	26	406,042	495,047	248,458	159,194
Other comprehensive (expense)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	27	(3,404)	(537)	(5,210)	(111)
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge	27	15,631	(31,085)	-	-
Share of gain/(loss) on hedging reserve of equity-accounted associates	27	54,537	(24,615)	-	-
Foreign currency translation differences for foreign operations	27	3,371	32,049	-	-
		73,539	(23,651)	-	-
Other comprehensive income/(expense) for the year		70,135	(24,188)	(5,210)	(111)
Total comprehensive income for the year		476,177	470,859	243,248	159,083

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		Group		Company	
		2016	**2015**	**2016**	**2015**
		RM'000	**RM'000**	**RM'000**	**RM'000**
	Note		**Restated**		
Profit attributable to:					
Owners of the Company		355,463	452,385	248,458	159,194
Non-controlling interests		50,579	42,662	-	-
Profit for the year		406,042	495,047	248,458	159,194
Total comprehensive income attributable to:					
Owners of the Company		425,598	428,197	243,248	159,083
Non-controlling interests		50,579	42,662	-	-
Total comprehensive income for the year		476,177	470,859	243,248	159,083
Earnings per ordinary share (sen)					
Basic	28	7.11	9.98		
Diluted	28	7.11	9.76		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company										
	Non-distributable							Distributable			
	Share capital		Share premium		Reserves						
Group	Ordinary RM'000	Preference RM'000	Ordinary RM'000	Preference RM'000	Capital redemption RM'000	Translation RM'000	Hedging RM'000	(Accumulated Losses)/ Retained Profit RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015, as previously stated	351,344	4,179	3,162,096	413,741	840	(14,944)	75,378	(28,985)	3,963,649	212,967	4,176,616
Prior year adjustment (Note 36)	-	-	-	-	-	-	-	(37,587)	(37,587)	-	(37,587)
At 1 January 2015, restated	351,344	4,179	3,162,096	413,741	840	(14,944)	75,378	(66,572)	3,926,062	212,967	4,139,029
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	(537)	(537)	-	(537)
Foreign currency translation differences for foreign operations	-	-	-	-	-	32,049	-	-	32,049	-	32,049
Cash flow hedge	-	-	-	-	-	-	(31,085)	-	(31,085)	-	(31,085)
Share of loss on hedging reserves attributable to associates	-	-	-	-	-	-	(24,615)	-	(24,615)	-	(24,615)
Other comprehensive income/ (expense) for the year	-	-	-	-	-	32,049	(55,700)	(537)	(24,188)	-	(24,188)
Profit for the year, restated	-	-	-	-	-	-	-	452,385	452,385	42,662	495,047
Comprehensive income/ (expense) for the year	-	-	-	-	-	32,049	(55,700)	451,848	428,197	42,662	470,859
Contribution by and distribution to owners of the Company											
Issue of preference shares	-	37,613	-	(37,613)	-	-	-	-	-	-	-
Conversion of preference shares	41,792	(41,792)	376,128	(376,128)	-	-	-	-	-	-	-
Issue of bonus shares	6,864	-	(6,864)	-	-	-	-	-	-	-	-
Issue of ordinary shares	100,000	-	1,700,000	-	-	-	-	-	1,800,000	-	1,800,000
Share issue expenses	-	-	(39,145)	-	-	-	-	-	(39,145)	-	(39,145)
Dividends to owners of the Company	-	-	-	-	-	-	-	(350,000)	(350,000)	-	(350,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(40,625)	(40,625)
Total transactions to owners	148,656	(4,179)	2,030,119	(413,741)	-	-	-	(350,000)	1,410,855	(40,625)	1,370,230
At 31 December 2015, restated	500,000	-	5,192,215	-	840	17,105	19,678	35,276	5,765,114	215,004	5,980,118

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Attributable to owners of the Company										
	Non-distributable							Distributable			
	Share capital		Share premium		Reserves						
Group	Ordinary RM'000	Preference RM'000	Ordinary RM'000	Preference RM'000	Capital redemption RM'000	Translation RM'000	Hedging RM'000	Retained Profit RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2016, restated	500,000	-	5,192,215	-	840	17,105	19,678	35,276	5,765,114	215,004	5,980,118
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	(3,404)	(3,404)	-	(3,404)
Foreign currency translation differences for foreign operations	-	-	-	-	-	3,371	-	-	3,371	-	3,371
Cash flow hedge	-	-	-	-	-	-	15,631	-	15,631	-	15,631
Share of gain on hedging reserves attributable to associates	-	-	-	-	-	-	54,537	-	54,537	-	54,537
Other comprehensive income/ (expense) for the year	-	-	-	-	-	3,371	70,168	(3,404)	70,135	-	70,135
Profit for the year	-	-	-	-	-	-	-	355,463	355,463	50,579	406,042
Comprehensive income for the year	-	-	-	-	-	3,371	70,168	352,059	425,598	50,579	476,177
Dividends to owners of the Company	-	-	-	-	-	-	-	(275,000)	(275,000)	-	(275,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Total distribution to owners	-	-	-	-	-	-	-	(275,000)	(275,000)	(50,000)	(325,000)
At 31 December 2016	500,000	-	5,192,215	-	840	20,476	89,846	112,335	5,915,712	215,583	6,131,295

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Attributable to owners of the Company						
	Non-distributable					Distributable	
	Share capital		Share premium		Reserves		
	Ordinary	Preference	Ordinary	Preference	Capital redemption	Retained profits	Total
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2015	351,344	4,179	3,162,096	413,741	840	4,140,210	8,072,410
Remeasurement of defined benefit liability	-	-	-	-	-	(111)	(111)
Other comprehensive expense for the year	-	-	-	-	-	(111)	(111)
Profit for the year	-	-	-	-	-	159,194	159,194
Comprehensive income for the year	-	-	-	-	-	159,083	159,083
Contribution by and distribution to owners of the Company							
Issue of preference shares	-	37,613	-	(37,613)	-	-	-
Conversion of preference shares	41,792	(41,792)	376,128	(376,128)	-	-	-
Issue of bonus shares	6,864	-	(6,864)	-	-	-	-
Issue of ordinary shares	100,000	-	1,700,000	-	-	-	1,800,000
Share issue expenses	-	-	(39,145)	-	-	-	(39,145)
Dividends to the owners of the Company	-	-	-	-	-	(350,000)	(350,000)
Total transactions with owners	148,656	(4,179)	2,030,119	(413,741)	-	(350,000)	1,410,855
At 31 December 2015/ 1 January 2016	500,000	-	5,192,215	-	840	3,949,293	9,642,348
Remeasurement of defined benefit liability	-	-	-	-	-	(5,210)	(5,210)
Other comprehensive expense for the year	-	-	-	-	-	(5,210)	(5,210)
Profit for the year	-	-	-	-	-	248,458	248,458
Comprehensive income for the year	-	-	-	-	-	243,248	243,248
Dividends to the owners of the Company	-	-	-	-	-	(275,000)	(275,000)
At 31 December 2016	500,000	-	5,192,215	-	840	3,917,541	9,610,596

The notes on pages 131 to 234 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before tax	637,541	701,191	263,041	178,096
Adjustments for:				
Amortisation of prepaid lease payments	4,569	4,376	-	-
Amortisation of intangible assets	495,364	534,166	-	-
Amortisation of transaction costs of hedging instruments	12,178	12,146	-	-
Depreciation of property, plant and equipment	900,833	625,711	6,391	6,254
Finance costs	1,012,045	794,618	59,470	101,155
Impairment loss on other receivables	-	5,120	-	5,120
Impairment loss on trade receivables	-	6,956	-	-
Finance income	(191,252)	(192,053)	(56,186)	(85,358)
Loss/(Gain) on disposal of property, plant and equipment	162	(78)	162	(78)
Gain arising from change in fair value of derivative financial instruments	(16,962)	(8,527)	-	-
Goodwill written off	-	7,373	-	-
Property, plant and equipment written off	23,014	68,854	-	-
Expenses related to retirement benefit plans	11,695	11,692	2,474	2,677
Reversal of impairment loss on trade receivables	-	(3,170)	-	-
Share of (profit)/loss of equity-accounted associates and a joint venture, net of tax	(18,964)	5,102	-	-
Operating profit before changes in working capital	2,870,223	2,573,477	275,352	207,866
Changes in:				
Inventories	(87,179)	(56,660)	-	-
Trade and other receivables	(859,305)	(711,652)	(35,399)	(55,537)
Trade and other payables	452,398	75,842	46,271	9,984
Provision for decommissioning costs	17,567	68,058	-	-
Deferred income	224,187	167,783	-	-
Employee benefits	(1,765)	(1,701)	(3,527)	(1,425)
Cash generated from operations	2,616,126	2,115,147	282,697	160,888
Income taxes paid	(275,040)	(277,232)	(12,470)	(6,487)
Income taxes refund	23,492	61,363	-	-
Net cash from operating activities	2,364,578	1,899,278	270,227	154,401

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(468,990)	(1,430,361)	(2,790)	(2,749)
Acquisition of prepaid lease payments	(3,053)	(3,897)	-	-
Dividends received from associates	29,237	32,479	-	-
Increase in other investments	(774,560)	(307,732)	-	-
Interest received	144,275	122,427	8,767	17,071
Increase in investment in associates	-	(45,852)	-	-
Proceeds from disposal of property, plant and equipment	151	187	151	187
Proceeds from redemption of unsecured loan stocks	6,000	15,200	6,000	15,200
Redemption of unsecured loan stocks	(12,000)	(21,747)	-	-
Net cash (used in)/from investing activities	(1,078,940)	(1,639,296)	12,128	29,709
Cash flows from financing activities				
Dividends paid to the owners of the Company	(275,000)	(350,000)	(275,000)	(350,000)
Dividends paid to non-controlling interests	(50,000)	(40,625)	-	-
Interest paid	(734,586)	(766,728)	-	(74,824)
Proceeds from issue of shares	-	1,800,000	-	1,800,000
Payment of listing expenses	-	(39,145)	-	(39,145)
Proceeds from borrowings	608,469	977,885	-	-
Repayment of borrowings	(700,499)	(2,584,394)	-	(1,800,000)
Redemption of preference shares	19,434	21,471	-	-
Net cash used in financing activities	(1,132,182)	(981,536)	(275,000)	(463,969)
Net increase/(decrease) in cash and cash equivalents	153,456	(721,554)	7,355	(279,859)
Cash and cash equivalents at beginning of the year	2,853,346	3,574,900	313,135	592,994
Cash and cash equivalents at end of the year	3,006,802	2,853,346	320,490	313,135

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks and other licensed corporations	15	2,646,098	2,526,595	312,354	304,755
Cash and bank balances	15	360,704	326,751	8,136	8,380
		3,006,802	2,853,346	320,490	313,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Malakoff Corporation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business and registered office
Level 12, Block 4
Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur

This consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and a joint venture.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 7 March 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018 except for Amendments to MFRS 1, MFRS 2, MFRS 4 and MFRS 140 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

(i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(iv) Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

The Group and Company are currently assessing the financial impact that may arise from the adoption of the amendments.

1. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Carrying amount of power plants

a) Gas fired power plant

The residual values of gas fired power plants are the estimated amount that the Group's subsidiaries would be able to generate based on the valuation judgement by an independent professional valuer.

The Group's subsidiaries considered and adopted the recoverable values of the assets based on the valuation judgement by an independent professional valuer with the assumptions as shown in Note 3.2. Estimating the residual values of power plants involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual residual values of the assets however, may be different from expected.

b) Coal fired power plant

The residual values of coal fired power plants are the estimated amount that the Group's subsidiaries would be able to generate from the extension of their Power Purchase Agreements ("PPA"), based on the discounted cash flows that the assets will generate on a 10 year extension of PPAs .

The PPAs provide an option to extend the PPA for another 5 to 15 years at the end of initial concession period. Estimating the useful lives and residual values of power plants involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual useful lives and residual values of the assets however, may be different from expected. The Group's subsidiaries considered and adopted the recoverable values of the assets based on the discounted cash flows with the assumptions as shown in Note 3.2.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

(ii) Impairment of loan and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtors, the probability that the debtors will enter bankruptcy, and default or significant delay in payments are considered objective evidence that the receivables are impaired. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtors, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

(iii) Provision for retirement benefits

The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, future salary increase, mortality rates, resignation rate and normal retirement age. As such, this estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision is as disclosed in Note 18.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Associates (continued)

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(v) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2009 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) 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 or 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 profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect 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 profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or 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 profit or loss.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and assets under construction are measured at cost less any accumulated impairment losses. Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. All spare parts which expected to be used for more than one period is classified under C-inspection costs within property, plant and equipment. Spare parts will be depreciated from the date that they are used.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	5 - 20 years
• C-inspection costs	3 - 6 years
• Plant and machinery	5 - 31 years
• Office equipment and furniture	5 years
• Motor vehicles	5 years
• Computers	3 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

(a) Group as lessee

Leasehold land

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(ii) Operating lease (continued)

(b) Group as lessor

Power Purchase Agreements

The Group adopted IC Interpretation 4, Determining whether an Arrangement contains a Lease, which prescribed that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific asset and whether the arrangement conveys a right to use such assets. An arrangement that contains a lease is accounted for as a finance lease or an operating lease. Payment for services and the cost of inputs of the arrangement are excluded from the calculation of the minimum lease payments.

The operating lease income is recognised over the term of the lease on a straight-line basis.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates and joint venture.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets with a finite useful life are amortised from the date that they are available for use. Amortisation is recognised in profit or loss based on straight-line basis over its useful life or using the unit of production method.

The estimated useful lives for the current and comparative periods are as follows:

• Interest over Power Purchase Agreements	2 – 25 years
• Interest over Power and Water Purchase Agreement	15 years
• Interest over Operation and Maintenance Agreements	2 – 25 years

Amortisation method, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company 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.

(ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's and the Company'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 of defined benefit obligations 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 and the Company, 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 and the Company 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 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 and the Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(m) Revenue and other income

(i) Energy payments, operation and maintenance charges and project management fees

Revenue is measured at the fair value of the consideration received or receivable and is recognised in profit or loss as it accrues.

(ii) Capacity payment

Revenue is recognised on a straight-line basis where the PPA is considered to be or to contain an operating lease.

(iii) Electricity revenue

Electricity revenue is recognised when electricity is consumed by customers. Electricity revenue includes an estimated value of the electricity consumed by customers from the date of their last meter reading and period end. Accrued unbilled revenues are reversed the following month when actual billings occur.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(vi) Lease income

Lease income is recognised in profit or loss by using effective interest method over the term of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Deferred income

Deferred income comprises the capacity payments received from Tenaga Nasional Berhad in relation to the PPAs. The amount is recognised in profit or loss on a straight-line basis over the term of the respective PPAs in profit or loss.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for decommissioning which arises principally in connection with the power plant is measured based on the valuation judgement by an independent professional valuer; the present value is calculated using amounts discounted over the existing PPAs. The liability is recognised (together with a corresponding amount as part of the power plant) once an obligation crystallises in the period when a reasonable estimate can be made. Subsequently, the Group accretes the discount to profit or loss using the effective interest rate method.

The provision is based on the valuation reports by an independent professional valuer. The present value is derived by discounting the decommissioning cost over the remaining useful lives of the power plants based on a discount rate of 7.5% (2015: 7.5%).

(r) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Fair value measurement (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Asset under construction RM'000	Power plants RM'000	C-Inspection costs RM'000	Plant and machinery RM'000	Office equipment and furniture RM'000	Motor vehicles RM'000	Computers RM'000	Total RM'000
Cost											
At 1 January 2015	115,516	13,182	35,486	5,201,766	12,702,167	1,276,620	126,747	123,320	11,170	82,044	19,688,018
Additions	-	-	601	854,791*	240,349	312,942	8,256	7,347	1,085	4,990	1,430,361
Disposal	-	-	-	-	-	-	-	-	(404)	(4)	(408)
Write-off	-	-	-	-	(93,612)	-	(1,413)	-	-	(1)	(95,026)
Reclassification	-	-	-	(81,196)	217,487	(136,291)	-	-	-	-	-
At 31 December 2015/ 1 January 2016	115,516	13,182	36,087	5,975,361	13,066,391	1,453,271	133,590	130,667	11,851	87,029	21,022,945
Additions	-	-	594	77,880*	81,017	282,776	2,386	16,326	3,196	4,815	468,990
Disposal	-	-	-	-	-	-	-	-	(553)	-	(553)
Write-off	-	-	-	-	(30,942)	-	-	-	-	-	(30,942)
Reclassification	-	-	-	(5,982,418)	5,984,376	-	(1,959)	(2)	-	3	-
At 31 December 2016	115,516	13,182	36,681	70,823	19,100,842	1,736,047	134,017	146,991	14,494	91,847	21,460,440

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Asset under construction RM'000	Power plants RM'000	C-Inspection costs RM'000	Plant and machinery RM'000	Office equipment and furniture RM'000	Motor vehicles RM'000	Computers RM'000	Total RM'000
Accumulated depreciation											
At 1 January 2015	-	2,495	23,596	-	4,521,778	606,043	44,041	85,638	8,010	72,465	5,364,066
Depreciation for the year	-	135	2,671	-	384,968	210,338	8,293	11,172	1,254	6,880	625,711
Disposal	-	-	-	-	-	-	-	-	(295)	(4)	(299)
Write-off	-	-	-	-	(25,333)	-	(838)	-	-	(1)	(26,172)
At 31 December 2015/ 1 January 2016	-	2,630	26,267	-	4,881,413	816,381	51,496	96,810	8,969	79,340	5,963,306
Depreciation for the year	-	135	1,497	-	624,574	237,440	18,586	11,611	1,475	5,515	900,833
Disposal	-	-	-	-	-	-	-	-	(240)	-	(240)
Write-off	-	-	-	-	(7,928)	-	-	-	-	-	(7,928)
Reclassification	-	-	-	-	-	-	-	324	(305)	(19)	-
At 31 December 2016	-	2,765	27,764	-	5,498,059	1,053,821	70,082	108,745	9,899	84,836	6,855,971
Carrying amounts											
At 1 January 2015	115,516	10,687	11,890	5,201,766	8,180,389	670,577	82,706	37,682	3,160	9,579	14,323,952
At 31 December 2015/ 1 January 2016	115,516	10,552	9,820	5,975,361	8,184,978	636,890	82,094	33,857	2,882	7,689	15,059,639
At 31 December 2016	115,516	10,417	8,917	70,823	13,602,783	682,226	63,935	38,246	4,595	7,011	14,604,469

* Includes interest capitalised for the year amounting to RM71,218,000 (2015: RM285,586,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Securities

At 31 December 2016, certain Group's properties with a carrying amount of RM11,070,361,000 (2015: RM11,855,559,000) were charged as securities for debt securities issued by the subsidiaries (see Note 17 – loans and borrowings).

3.2 Residual value

Estimating the useful life and residual value of power plant involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the balance sheet date. The actual useful life and residual value of the asset however, may be different from expected.

The residual value of power plant assets are as below:

			Residual value	
PPA Owner	**Note**	**Year of expiry**	**RM'million 2016**	**RM'million 2015**
Gas fired power plants				
Segari Energy Ventures Sdn. Bhd.	(i)	2027	170.0	370.0
GB3 Sdn. Bhd.	(i)	2022	90.0	514.0
Prai Power Sdn. Bhd.	(i)	2024	50.0	315.0
Port Dickson Power Berhad		2019	61.8	61.8
			371.8	1,260.8
Coal fired power plants				
Tanjung Bin Energy Sdn. Bhd. ("TBE")	(ii)	2041	1,433.0	-
Tanjung Bin Power Sdn. Bhd.		2031	1,924.0	1,924.0
			3,357.0	1,924.0

(i) During the financial year ended 31 December 2016, the subsidiaries of the Group reviewed the residual value of gas fired power plants as the result of developments in the domestic industry. The residual value of gas fired power plants, which management previously estimated based on extension to the current PPAs of 5 to 10 years, is now estimated based on valuation judgement by an independent professional valuer. As a result, the estimated residual value has decreased. The effect of the change on depreciation expense, recognised in cost of sales, is an increase of RM109,504,000 per annum.

(ii) TBE commenced operations on 21 March 2016 and recognized a residual value amounting to RM1.4 billion.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 Residual value (continued)

In assessing the appropriateness of the residual values adopted, management considered the recoverable values of the assets based on the following methods:

a) Valuation judgement by an independent professional valuer for gas fired power plants

The valuation judgement by an independent professional valuer was derived using the following critical assumptions:

1) All plant and equipment will be removed only at the end of the power supply agreement;
2) The recoverable steel within the power house and tank farm will be sold in the local market; and
3) All metals of value will be recovered.

A 5% increase/(decrease) in the residual value would have resulted in a (decrease)/increase in depreciation expense of RM2,660,000 per annum.

b) The discounted cash flow method for coal fired power plants

The discounted cash flows were derived using the following critical assumptions:

1) Extension of ten years of the PPAs at the end of the initial concession period, in view of:
   i) the initial term of the existing PPAs and the expected useful life of coal fired power plants;
   ii) increase in demand for power; and
   iii) Tenaga Nasional Berhad's continued reliance on Independent Power Producers.
2) An estimated Variable Operating Rate ("VOR") during the extension period which management deems to be reasonable based on the expected demand and the VOR rate at the end of the PPAs;
3) An average despatch factor of 45% to 77% to reflect the future demand for power; and
4) The pre-tax discount rate of 9.9% to 10.21% per annum.

A 5% increase/(decrease) in the residual value would have resulted in a (decrease)/increase in depreciation expense of RM8,361,000 per annum.

3.3 Impairment testing for carrying amount of property, plant and equipment

Consequent to the revision in the residual value of gas fired power plants (See Note 3.2 – Residual value), power plant assets with carrying amount of RM2,114,163,000 were tested for impairment.

For the purpose of impairment testing, the carrying amount of property, plant and equipment represents the cash-generating unit which are monitored for internal management services.

The recoverable amounts of the cash generating units were based on their value in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.4 Impairment testing for carrying amount of property, plant and equipment (continued)

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan. Cash flows for the remaining PPA terms were extrapolated. Management believes that this year forecast period is appropriate as it represents the remaining PPA terms;
- Contracted tariffs were determined based on the agreed tariffs in the PPA;
- Net energy output were determined based on the forecasted demand prepared by the customers; and
- A pre-tax discount rate of 9.88% to 10.97% was applied in determining the recoverable amount of the unit.

The values assigned to the key assumptions represent management's assessment of future trends in the power industry and are based on external sources and internal sources (historical data).

There is no impairment loss on property, plant and equipment based on the impairment tests.

The above estimates are particularly sensitive in an increase of the pre-tax discount rate used. A 1.5% increase in the pre-tax discount rate would have resulted in an impairment of RM29,700,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment and furniture RM'000	Motor vehicles RM'000	Computers RM'000	Total RM'000
Cost								
At 1 January 2015	21,516	5,515	17,055	154	19,648	2,157	15,045	81,090
Additions	-	-	-	-	61	640	2,048	2,749
Disposal	-	-	-	-	-	(404)	(1)	(405)
At 31 December 2015/ 1 January 2016	21,516	5,515	17,055	154	19,709	2,393	17,092	83,434
Additions	-	-	-	-	139	18	2,633	2,790
Disposal	-	-	-	-	-	(553)	-	(553)
At 31 December 2016	21,516	5,515	17,055	154	19,848	1,858	19,725	85,671
Accumulated depreciation								
At 1 January 2015	-	999	9,593	154	10,085	1,331	12,146	34,308
Depreciation for the year	-	58	801	-	3,095	319	1,981	6,254
Disposal	-	-	-	-	-	(295)	(1)	(296)
At 31 December 2015/ 1 January 2016	-	1,057	10,394	154	13,180	1,355	14,126	40,266
Depreciation for the year	-	58	800	-	2,945	290	2,298	6,391
Disposal	-	-	-	-	-	(240)	-	(240)
At 31 December 2016	-	1,115	11,194	154	16,125	1,405	16,424	46,417
Carrying amounts								
At 1 January 2015	21,516	4,516	7,462	-	9,563	826	2,899	46,782
At 31 December 2015/ 1 January 2016	21,516	4,458	6,661	-	6,529	1,038	2,966	43,168
At 31 December 2016	21,516	4,400	5,861	-	3,723	453	3,301	39,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS

		Subsidiaries			Associates		
		Goodwill	Interest over Power Purchase and Operation and Maintenance Agreements	Total	Goodwill	Interest over Power Purchase and Power and Water Purchase Agreements	Total
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost							
At 1 January 2015		8,232	7,752,609	7,760,841	303,979	939,073	1,243,052
Effect of movements in exchange rate		-	-	-	69,290	-	69,290
At 31 December 2015 /1 January 2016		8,232	7,752,609	7,760,841	373,269	939,073	1,312,342
Effect of movements in exchange rate		-	-	-	16,736	-	16,736
At 31 December 2016		8,232	7,752,609	7,760,841	390,005	939,073	1,329,078
Amortisation and impairment loss							
At 1 January 2015		859	3,055,755	3,056,614	-	761,348	761,348
Amortisation for the year		-	490,601	490,601	-	43,565	43,565
Impairment during the year	4.1	7,373	-	7,373	-	-	-
At 31 December 2015 /1 January 2016		8,232	3,546,356	3,554,588	-	804,913	804,913
Amortisation for the year		-	484,822	484,822	-	10,542	10,542
At 31 December 2016		8,232	4,031,178	4,039,410	-	815,455	815,455
Carrying amounts							
At 1 January 2015		7,373	4,696,854	4,704,227	303,979	177,725	481,704
At 31 December 2015 /1 January 2016		-	4,206,253	4,206,253	373,269	134,160	507,429
At 31 December 2016		-	3,721,431	3,721,431	390,005	123,618	513,623

4.1 In prior year, the Group wrote-off its goodwill related to its subsidiaries amounting to RM7,373,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Intangible assets arising from interest over Power Purchase, Power and Water Purchase and Operation and Maintenance Agreements

The Group's revenue is substantially derived from the generation and sale of electricity energy and generating capacity in Malaysia, which is governed by the Power Purchase Agreements ("PPAs") (together with the Independent Power Producer Licence ("IPP Licences") issued by the Ministry of Energy, Water and Communications) and Power and Water Purchase Agreement ("PWPA") held by the respective power producing subsidiaries and associates. The Operation and Maintenance Agreements ("OMAs") held by certain subsidiaries engaged in operation and maintenance are associated with the specific Independent Power Producer within the Group.

The Group has determined the expected cash flows to be generated from the PPAs, OMAs (together with the IPP Licences) and PWPA as Intangible Assets.

The PPAs, the IPP Licences and OMAs held by subsidiaries in Malaysia are recognised as a single asset in accordance with MFRS 138 *Intangible Assets* in view that they are required for the generation, operation and maintenance, sale of electricity energy and generating capacity in Malaysia.

There are six (6) PPAs (together with the respective IPP Licences) held respectively by the Group's power producing subsidiaries of Segari Energy Ventures Sdn. Bhd. ("SEV"), GB3 Sdn. Bhd. ("GB3"), Prai Power Sdn. Bhd. ("PPSB"), Tanjung Bin Power Sdn. Bhd. ("TBP"), Port Dickson Power Berhad ("PDP") and an associate, namely Kapar Energy Ventures Sdn. Bhd. ("KEV"). There are five (5) OMAs held by the Group's operations and maintenance subsidiaries namely Malakoff Power Berhad ("MPB") and Tanjung Bin O&M Berhad ("TBOM"). There is one (1) PWPA held by Hidd Power Company B.S.C. (c) ("HPC"), an associate company.

These PPAs, PWPA and OMAs are the key documents that govern the underlying strength of the Group's cash flows, which provide for, inter alia, the electricity tariff, supply, operations and maintenance and all other terms to be met by the subsidiaries and associates.

Initial measurement

The fair values of the Intangible Assets arising from the PPAs, PWPA and OMAs were measured using the Multi-Period Excess Earnings Method ("MEEM") under the income method. The underlying rationale in the MEEM was that the fair value of an Intangible Asset represents the present value of the net income after taxes attributable to the Intangible Asset. The net income attributable to the Intangible Asset was the excess income after charging a fair return on and of all the assets that are necessary (contributory assets) to realise the net income. The contributory asset charges ("CAC") were based on the fair value of each contributory asset and represent the return on the assets. The assumption in calculating the CAC was that the owner of the Intangible Asset "rents" or "leases" the contributory assets from a hypothetical third party in an arm's length transaction in order to be able to derive income from the Intangible Asset. The present value of the expected income attributable to the Intangible Assets less CAC and taxes represents the value of the Intangible Asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Initial measurement (continued)

The management had applied the following ***key assumptions*** in deriving the present value of the net income after taxes attributable to the Intangible Assets at the acquisition date:

• Remaining useful life of PPAs/PWPA/OMAs	2 – 25 years (in accordance with the respective PPAs, PWPA and OMAs)
• Dependable Capacity ("DC"):	
- Power	350 MW – 2,420 MW
- Water	17,047 m³/hour
• Capacity Factor:	
- Power	10% – 75% of DC
- Water	91% – 99% of DC
• Net Output:	
- Electrical (million kW/hour)	213 – 11,197
- Water (thousand m³)	67,370 – 73,771
• Capacity Rate:	
- Power (RM/kW/month)	11.35 – 50.00
- Water (RM/m³/month)	1,222 – 1,339
• Fixed Operating Rate under Revenue (RM/kW/month)	4.00 – 10.50
• Variable Operating Rate under Revenue	
- Power (RM/kW/month)	0.013 – 4.775
- Water (RM/m³/month)	58.20 – 116.40
• Fuel price (RM/mmBtu)	4.60 – 13.70
• CAC	17.77% - 28.00% of revenue

In applying the MEEM valuation methodology, the expected cash flows were discounted to their present value equivalent using a rate of return that reflects the relative risk of the cash flows, as well as the time value of money. This was calculated by weighing the required returns on debt and equity in proportion to their assumed percentages. The applied pre-tax discount rate ranges from 7.5% to 9% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash generating units ("CGUs") containing goodwill and interest over Power Purchase and Power and Water Purchase Agreements

The carrying amounts of the goodwill and the interest over Power Purchase Agreements are allocated to the following CGUs:

	Carrying amount	
	2016	**2015**
Goodwill	**RM'000**	**RM'000**
CGU – PWPA		
HPC – gas-fuelled and water production	390,005	373,269
Total goodwill	390,005	373,269
Less: Goodwill in an associate	(390,005)	(373,269)
	-	-
Interest over PPA		
CGU - Interest over PPA		
HPC - gas-fuelled and water production	56,785	62,040
KEV - multi-fuel power generation	66,833	72,120
Total intangible assets	123,618	134,160
Less: Intangible assets in associates	(123,618)	(134,160)
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash generating units ("CGUs") containing goodwill and interest over Power Purchase and Power and Water Purchase Agreements (continued)

The impairment test of the above CGUs was based on the value in use, determined by discounting future cash flows to their present value equivalent using a rate of return that reflects the relative risk of the cash flows, as well as the time value of money. This is calculated by weighing the required returns on debt and equity in proportion to their assumed percentages. The applied pre-tax discount rate was 9% - 10% (2015: 10%) per annum. The discount rate reflects the current market assessment of the time value of money and is based on the estimated cost of capital. The management had applied the following ***key assumptions*** in deriving the present value of the net cash flow before taxes attributable to the Intangible Assets:

It is assumed that the terms of the PPAs will remain unchanged throughout the concession period.

• Remaining useful life of PPA/PWPA	11 – 13 years (in accordance with the respective PPA and PWPA)
• Dependable Capacity ("DC"):	
- Power	929 - 2,420MW
- Water	17,047 m³/hour
• Capacity Factor:	
- Power	1% – 98% of DC
- Water	94% – 97% of DC
• Net Output:	
- Electrical (million kW/hour)	1,760 – 11,433
- Water (thousand m³)	67,376 – 73,216
• Capacity Rate:	
- Power (RM/kW/month)	11.61 – 27.46
- Water (RM/m³/month)	1,529
• Fixed Operating Rate under Revenue:	
- Power (RM/kW/month)	5.27 – 7.08
- Water (RM/m³/month)	282 – 346
• Variable Operating Rate under Revenue:	
- Power (RM/kW/month)	0.0068 – 6.5
- Water (RM/m³/month)	103 – 127
• Fuel price (RM/mmBtu)	9.00 – 31.40

The values assigned to the key assumptions represent management's assessment of future trends in the power and utilities industry and are based on external sources and internal sources (historical data). As at 31 December 2016 and 31 December 2015, the estimated recoverable amount of all the CGUs exceeds the carrying amount of the goodwill and interest on PPA/PWPA of the CGUs.

The above estimates are particularly sensitive in an increase/(decrease) of the discount rate used. A 0.5 percentage point increase/(decrease) in the discount rate used would have (decreased)/increased the recoverable amounts of interest on PPA of the CGUs by (RM27,888,000)/ RM28,993,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. PREPAID LEASE PAYMENTS

Leasehold land	**Unexpired period less than 50 years RM'000**
Group	
Cost	
At 1 January 2015	109,326
Addition during the year	3,897
At 31 December 2015/1 January 2016	113,223
Addition during the year	3,053
At 31 December 2016	116,276
Amortisation	
At 1 January 2015	38,995
Amortisation for the year	4,376
At 31 December 2015/1 January 2016	43,371
Amortisation for the year	4,569
At 31 December 2016	47,940
Carrying amounts	
At 1 January 2015	70,331
At 31 December 2015/1 January 2016	69,852
At 31 December 2016	68,336

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	**2015 RM'000**
At cost		
Unquoted shares	8,134,741	8,134,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

Name of subsidiary	Principal place of business / Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
Direct subsidiary				
1. Segari Energy Ventures Sdn. Bhd.	Malaysia	93.75	93.75	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant
2. GB3 Sdn. Bhd.	Malaysia	75	75	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant
3. Prai Power Sdn. Bhd.	Malaysia	100	100	Design, construction, operation and maintenance of a combined cycle power plant, generation and sale of electrical energy and generating capacity of the power plant
4. Tanjung Bin Power Sdn. Bhd.	Malaysia	90	90	Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of a 2,100 MW coal-fired electricity generating facility and sale of electrical energy and generating capacity of the power plant
5. Hypergantic Sdn. Bhd.	Malaysia	100	100	Investment holding
6. Tanjung Bin Energy Sdn. Bhd.	Malaysia	100	100	Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of a 1,000 MW coal-fired electricity generating facility
7. Teknik Janakuasa Sdn. Bhd.	Malaysia	100	100	Investment holding company and provision of operation and maintenance and any related services
8. Malakoff Utilities Sdn. Bhd.	Malaysia	100	100	Build, own and operate an electricity distribution system and a centralised chilled water plant system
9. Malakoff Engineering Sdn. Bhd.	Malaysia	100	100	Provision of engineering and project management services
10. Spring Assets Limited	British Virgin Islands	100	100	Dormant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business / Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
Direct subsidiary (continued)				
11. Malakoff Capital (L) Limited	Federal Territory of Labuan, Malaysia	100	100	Dormant
12. Malakoff International Limited	Cayman Island	100	100	Offshore - Investment holding
13. Tuah Utama Sdn. Bhd.	Malaysia	100	100	Investment holding
14. Desa Kilat Sdn. Bhd.	Malaysia	54	54	Land reclamation, development and/or sale of reclaimed land
15. Malakoff Power Berhad	Malaysia	100	100	Operation and maintenance of power plants
16. Malakoff R&D Sdn. Bhd.	Malaysia	100	100	Promoting, developing, acquiring and enhancing the Group's capacity and innovation in the energy business
Indirect subsidiary				
Held through Tanjung Bin Energy Sdn. Bhd.				
17. Tanjung Bin Energy Issuer Berhad	Malaysia	100	100	Administer and manage the development of a 1,000 MW coal-fired electricity generating facility
Held through Teknik Janakuasa Sdn. Bhd.				
18. Natural Analysis Sdn. Bhd.	Malaysia	100	100	Dormant
19. TJSB Services Sdn. Bhd.	Malaysia	100	100	Provision of maintenance, repair and overhaul and any related services to power plants and any other plants of similar main and auxiliary operating systems
20. TJSB International Limited	Cayman Islands	100	100	Offshore – Investment holding
21. TJSB Global Sdn. Bhd.	Malaysia	100	100	Investment holding
22. PT. Teknik Janakuasa^	Indonesia	95	95	Provision of operation and maintenance services to power plant and/or other utility plants

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business / Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
Indirect subsidiary (continued)				
Held through TJSB International Limited				
23. TJSB International (Shoaiba) Limited	British Virgin Islands	100	100	Offshore – Investment holding
24. TJSB Middle East Limited	British Virgin Islands	100	100	Operation and maintenance of power plant
Held through Malakoff Engineering Sdn. Bhd.				
25. MESB Project Management Sdn. Bhd.	Malaysia	100	100	Dormant
Held through Malakoff International Limited				
26. Malakoff Gulf Limited	British Virgin Islands	100	100	Offshore – Investment holding
27. Malakoff Technical (Dhofar) Limited	British Virgin Islands	100	100	Offshore – Investment holding
28. Malakoff AlDjazair Desal Sdn. Bhd.	Malaysia	100	100	Investment holding
29. Malakoff Oman Desalination Company Limited	British Virgin Islands	100	100	Offshore – Investment holding
30. Malakoff Hidd Holding Company Limited	Guernsey	100	100	Asset, property, investment, intellectual property and other holding companies
31. Pacific Goldtree Sdn. Bhd.	Malaysia	100	100	Investment holding
Held through Malakoff AlDjazair Desal Sdn. Bhd.				
32. Tlemcen Desalination Investment Company SAS*	France	70	70	Offshore – Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business / Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
Indirect subsidiary (continued)				
Held through Malakoff Hidd Holding Company Limited				
33. Malakoff Summit Hidd Holding Company Limited	Guernsey	57.14	57.14	Asset, property, investment, intellectual property and other holding companies
Held through Malakoff Power Berhad				
34. Tanjung Bin O&M Berhad	Malaysia	100	100	Operation and maintenance of power plant
35. PDP O&M Sdn. Bhd.^	Malaysia	100	100	Operation and maintenance of power plant
Held through Hypergantic Sdn. Bhd.				
36. Port Dickson Power Berhad^	Malaysia	100	100	Independent power producer licensed by the Government to supply electricity exclusively to Tenaga Nasional Berhad
Held through Pacific Goldtree Sdn. Bhd.				
37. Skyfirst Power Sdn. Bhd.	Malaysia	100	100	Investment holding
Held through Skyfirst Power Sdn. Bhd.				
38. Malakoff Australia Pty. Ltd.*	Australia	100	100	Investment holding
39. Wind Macarthur Holdings (T) Pty. Limited*	Australia	100	100	Investment holding
Held through Malakoff Australia Pty. Ltd.				
40. Malakoff Holdings Pty. Ltd.*	Australia	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business / Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
Indirect subsidiary (continued)				
Held through Malakoff Holdings Pty. Ltd.				
41. Malakoff Wind Macarthur Holdings Pty. Limited*	Australia	100	100	Investment holding
Held through Malakoff Wind Macarthur Holdings Pty. Limited				
42. Malakoff Wind Macarthur Pty. Limited*	Australia	100	100	Leasing of wind turbine assets
Held through Wind Macarthur Holdings (T) Pty. Limited				
43. Wind Macarthur (T) Pty. Limited*	Australia	100	100	Leasing of plant and equipment
Held through Wind Macarthur (T) Pty. Limited				
44. Wind Macarthur Finco Pty. Limited*	Australia	100	100	Financing operations for Macarthur wind farm project

* Audited by other member firms of KPMG International
^ Not audited by member firms of KPMG International

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Group	**Segari Energy Ventures Sdn. Bhd.**	**GB3 Sdn. Bhd.**	**Tanjung Bin Power Sdn. Bhd.**	**Other subsidiaries with immaterial NCI**	**Total**
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
NCI percentage of ownership interest and voting interest	6.25%	25%	10%		
Carrying amount of NCI	55,425	110,736	51,964	(2,542)	215,583
Profit/(Loss) allocated to NCI	6,179	6,892	37,647	(139)	50,579
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	1,775,838	696,976	5,404,981		
Current assets	876,354	207,545	3,200,791		
Non-current liabilities	(1,455,722)	(368,743)	(7,541,209)		
Current liabilities	(309,675)	(92,833)	(544,923)		
Net assets	886,795	442,945	519,640		
Year ended 31 December					
Revenue	1,176,061	308,347	2,991,412		
Profit for the year	98,863	27,570	376,471		
Total comprehensive income	98,863	27,570	376,471		
Cash flows from operating activities	410,365	91,894	1,268,072		
Cash flows used in investing activities	(171,790)	(4,749)	(616,185)		
Cash flows used in financing activities	(259,851)	(80,000)	(593,875)		
Net (decrease)/increase in cash and cash equivalents	(21,276)	7,145	58,012		
Dividend paid to NCI	-	20,000	30,000	-	50,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (continued):

Group	**Segari Energy Ventures Sdn. Bhd.**	**GB3 Sdn. Bhd.**	**Tanjung Bin Power Sdn. Bhd.**	**Other subsidiaries with immaterial NCI**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2015	**Restated**	**Restated**	**Restated**		
NCI percentage of ownership interest and voting interest	6.25%	25%	10%		
Carrying amount of NCI	49,246	123,844	44,319	(2,405)	215,004
Profit/(Loss) allocated to NCI	4,541	11,805	26,600	(284)	42,662
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	1,855,206	826,003	5,546,934		
Current assets	839,839	236,653	2,620,082		
Non-current liabilities	(1,677,371)	(443,588)	(7,326,525)		
Current liabilities	(229,742)	(123,693)	(397,322)		
Net assets	787,932	495,375	443,169		
Year ended 31 December					
Revenue	1,204,968	417,564	2,862,273		
Profit for the year	72,655	47,220	306,136		
Total comprehensive income	72,655	47,220	306,136		
Cash flows from operating activities	356,733	134,482	902,708		
Cash flows used in investing activities	(131,196)	(46,659)	(602,245)		
Cash flows used in financing activities	(283,056)	(114,558)	(674,828)		
Net decrease in cash and cash equivalents	(57,519)	(26,735)	(374,365)		
Dividend paid to NCI	625	20,000	20,000	-	40,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES

	Group			Company	
	2016	**2015**	**2014**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
		Restated	**Restated**		
At cost					
Unquoted shares:					
- in Malaysia	269,060	14,400	14,400	896,430	641,770
- outside Malaysia	86,333	86,333	40,481	-	-
Unquoted preference shares:					
- in Malaysia	4,000	4,000	4,000	-	-
Unquoted loan stocks:					
- in Malaysia	335,430	341,430	356,630	335,430	341,430
- outside Malaysia	115,478	128,678	143,878	-	-
Pre-acquisition reserves	125,275	125,275	125,275	-	-
Share of post-acquisition reserves	26,811	(66,658)	(636)	-	-
	962,387	633,458	684,028	1,231,860	983,200
Add: Intangible assets acquired through business combination (see Note 4)					
Goodwill	390,005	373,269	303,979	-	-
Interest over PPA and PWPA	939,073	939,073	939,073	-	-
	1,329,078	1,312,342	1,243,052	-	-
Less: Amortisation of intangible assets					
At 1 January	(341,267)	(297,702)	(253,831)	-	-
Amortisation for the year	(10,542)	(43,565)	(43,871)	-	-
At 31 December	(351,809)	(341,267)	(297,702)	-	-
Less: Impairment loss on intangible assets					
At 1 January/31 December	(463,646)	(463,646)	(463,646)	-	-
Carrying amount	513,623	507,429	481,704	-	-
	1,476,010	1,140,887	1,165,732	1,231,860	983,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates are as follows:

No.	Name of associate	Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
1.	Kapar Energy Ventures Sdn. Bhd.	Malaysia	40	40	Generation and sale of electricity
2.	Lekir Bulk Terminal Sdn. Bhd.	Malaysia	20	20	Development, ownership and management of a dry bulk terminal
3.	Malaysian Shoaiba Consortium Sdn. Bhd.	Malaysia	40	40	Investment holding
4.	Saudi-Malaysia Water & Electricity Company Limited	Saudi Arabia	20	20	Offshore - Investment holding
5.	Shuaibah Water & Electricity Company Limited	Saudi Arabia	12	12	Design, construction, commissioning, testing, possession, operation and maintenance of crude oil fired power generation and water desalination plant
6.	Shuaibah Expansion Holding Company Limited	Saudi Arabia	12	12	Development, construction, ownership, operation and maintenance of Shuaibah Phase 3 Expansion independent water producer ("IWP") and transport and sale of water and undertake all works and activities related thereto, directly or through another company holding most of its shares or stock
7.	Shuaibah Expansion Project Company Limited	Saudi Arabia	11.9	11.9	Development, construction, possession, operation and maintenance of the Shuaibah Phase 3 Expansion IWP, transfer and sell water and all relevant works and activities
8.	Oman Technical Partners Limited	British Virgin Islands	43.4	43.4	Offshore - Investment holding
9.	Salalah Power Holdings Limited	Bermuda	43.4	43.4	Offshore - Investment holding
10.	Al-Imtiaz Operation and Maintenance Company Limited	Saudi Arabia	20	20	Implementation of operation and maintenance contracts for stations of electrical power generation and water desalination

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of associates are as follows (continued):

No.	Name of associate	Country of incorporation	Effective ownership interest and voting interest (%) 2016	2015	Principal activities
11.	Saudi-Malaysia Operation and Maintenance Services Company Limited	Saudi Arabia	20	20	Operation and maintenance of power and water desalination plant
12.	Hyflux-TJSB Algeria SPA	Algeria	49	49	Operation and maintenance of water desalination plant
13.	Hidd Power Company B.S.C. (c)	Bahrain	40	40	Building, operation and maintenance of power and water stations for special purposes (specific supply only)
14.	Muscat City Desalination Operation and Maintenance Company LLC	Oman	31.5	31.5	Operation and maintenance of pump stations and pipelines, installation and repair of electric power and transformer plants and telecommunications and radar plants, export and import offices, and laying and maintenance of all kinds of pipes, business agencies (excluding portfolio and securities) and wholesale of industrial chemicals
15.	Muscat City Desalination Company S.A.O.C	Oman	45	45	Desalination of water

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the 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.

Group 2016	Kapar Energy Ventures Sdn. Bhd. RM'000	Shuaibah Water & Electricity Company Limited RM'000	Hidd Power Company B.S.C. (c) RM'000	Muscat City Desalination Company S.A.O.C RM'000	Lekir Bulk Terminal Sdn. Bhd. RM'000
Summarised financial information					
As at 31 December					
Non-current assets	2,315,125	7,340,856	3,641,403	1,136,363	399,215
Current assets	1,651,326	661,976	613,752	138,821	63,955
Non-current liabilities	(3,049,302)	(5,678,419)	(3,760,524)	(956,312)	(236,152)
Current liabilities	(311,531)	(757,910)	(225,704)	(185,046)	(64,596)
Net assets	605,618	1,566,503	268,927	133,826	162,422
Year ended 31 December					
(Loss)/Profit	(69,045)	363,653	110,511	13,969	23,305
Other comprehensive income	-	124,590	84,111	7,643	-
Total comprehensive (expense)/income	(69,045)	488,243	194,622	21,612	23,305
Included in the total comprehensive (expense)/income is:					
Revenue	1,853,105	1,205,194	1,561,246	136,364	33,056
Depreciation and amortisation	(1,237)	(309,401)	(222,792)	(30,112)	(6,403)
Interest income	18,138	-	-	-	507
Interest expense	(220,827)	(367,905)	(162,282)	(31,231)	(784)
Income tax expense	(12,985)	(25,328)	-	-	(3,074)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the 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).

Group 2016	Kapar Energy Ventures Sdn. Bhd. RM'000	Shuaibah Water & Electricity Company Limited RM'000	Hidd Power Company B.S.C. (c) RM'000	Muscat City Desalination Company S.A.O.C RM'000	Lekir Bulk Terminal Sdn. Bhd. RM'000	Other individually immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount							
As at 31 December							
Group's share of net assets	242,247	187,980	107,571	60,222	32,484	(3,547)	626,957
Goodwill	-	-	390,005	-	-	-	390,005
Intangible assets	66,833	-	56,785	-	-	-	123,618
Redeemable unsecured loan stocks	335,430	-	-	-	-	-	335,430
Carrying amount in the statements of financial position	644,510	187,980	554,361	60,222	32,484	(3,547)	1,476,010
Group's share of results							
Year ended 31 December							
Group's share of (loss)/profit for the year	(27,618)	43,638	44,204	6,286	4,661	3,233	74,404
Group's share of other comprehensive income	-	14,951	33,644	3,439	-	2,503	54,537
Group's share of total comprehensive (expense)/ income	(27,618)	58,589	77,848	9,725	4,661	5,736	128,941
Other information							
Dividend received	-	-	28,762	-	-	475	29,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the 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).

Group	**Kapar Energy Ventures Sdn. Bhd.**	**Shuaibah Water & Electricity Company Limited**	**Hidd Power Company B.S.C. (c)**	**Muscat City Desalination Company S.A.O.C**	**Lekir Bulk Terminal Sdn. Bhd.**
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Summarised financial information					
As at 31 December, restated					
Non-current assets	2,649,569	7,976,209	3,970,964	1,071,174	148,346
Current assets	1,536,189	238,029	401,596	200,460	88,451
Non-current liabilities	(3,119,160)	(5,975,264)	(3,734,514)	(364,529)	(72,996)
Current liabilities	(1,028,589)	(998,760)	(491,838)	(794,893)	(24,685)
Net assets	38,009	1,240,214	146,208	112,212	139,116
Year ended 31 December, restated					
(Loss)/Profit	(153,098)	220,650	106,077	(35,542)	16,800
Other comprehensive income/ (expense)	-	149,058	(65,707)	(40,072)	-
Total comprehensive (expense)/income	(153,098)	369,708	40,370	(75,614)	16,800
Included in the total comprehensive (expense)/income is:					
Revenue	1,758,453	1,052,970	1,285,547	-	95,956
Depreciation and amortisation	(273)	(289,087)	(208,697)	-	(16,914)
Interest income	15,658	1,378	-	-	1,995
Interest expense	(286,410)	(365,162)	(173,770)	(274)	(2,420)
Income tax expense	15,316	-	-	-	(8,061)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the 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).

Group 2015	Kapar Energy Ventures Sdn. Bhd. RM'000	Shuaibah Water & Electricity Company Limited RM'000	Hidd Power Company B.S.C. (c) RM'000	Muscat City Desalination Company S.A.O.C RM'000	Lekir Bulk Terminal Sdn. Bhd. RM'000	Other individually immaterial associates RM'000	Total RM'000
Reconciliation of net assets to carrying amount							
As at 31 December, restated							
Group's share of net assets	15,204	148,826	58,483	50,496	27,823	(8,804)	292,028
Goodwill	-	-	373,269	-	-	-	373,269
Intangible assets	72,120	-	62,040	-	-	-	134,160
Redeemable unsecured loan stocks	341,430	-	-	-	-	-	341,430
Carrying amount in the statements of financial position	428,754	148,826	493,792	50,496	27,823	(8,804)	1,140,887
Group's share of results							
Year ended 31 December, restated							
Group's share of (loss)/profit for the year	(61,239)	26,478	42,431	(15,993)	3,360	2,306	(2,657)
Group's share of other comprehensive income/ (expense)	-	17,887	(26,283)	(18,032)	-	1,813	(24,615)
Group's share of total comprehensive (expense)/ income	(61,239)	44,365	16,148	(34,025)	3,360	4,119	(27,272)
Other information							
Dividend received	-	-	24,720	-	-	7,759	32,479

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the 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).

Group 2014	Kapar Energy Ventures Sdn. Bhd. RM'000	Shuaibah Water & Electricity Company Limited RM'000	Hidd Power Company B.S.C. (c) RM'000	Lekir Bulk Terminal Sdn. Bhd. RM'000	Other individually immaterial associates RM'000	Total RM'000
Summarised financial information						
As at 31 December, restated						
Non-current assets	2,860,229	6,739,485	3,375,084	166,756		
Current assets	1,519,584	429,755	317,601	69,385		
Non-current liabilities	(3,235,750)	(5,337,201)	(3,106,649)	(67,707)		
Current liabilities	(952,954)	(538,611)	(418,414)	(11,120)		
Net assets	191,109	1,293,428	167,622	157,314		
Year ended 31 December, restated						
(Loss)/Profit	(128,789)	269,492	104,130	28,551		
Other comprehensive income/(expense)	-	13,800	(59,423)	-		
Total comprehensive (expense)/income	(128,789)	283,292	44,707	28,551		
Included in the total comprehensive (expense)/income is:						
Revenue	1,973,405	947,910	1,039,970	101,088		
Depreciation and amortisation	(241)	(241,788)	(160,454)	(15,869)		
Interest income	18,277	-	13	1,523		
Interest expense	(187,406)	(320,412)	(155,233)	(2,000)		
Income tax expense	(42,801)	-	-	(11,455)		
Reconciliation of net assets to carrying amount						
As at 31 December, restated						
Group's share of net assets	76,444	155,212	67,050	31,463	(2,771)	327,398
Goodwill	-	-	303,979	-	-	303,979
Intangible assets	110,447	-	67,278	-	-	177,725
Redeemable unsecured loan stocks	356,630	-	-	-	-	356,630
Carrying amount in the statements of financial position	543,521	155,212	438,307	31,463	(2,771)	1,165,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN ASSOCIATES (CONTINUED)

The following table summarises the 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).

Group	**Kapar Energy Ventures Sdn. Bhd.**	**Shuaibah Water & Electricity Company Limited**	**Hidd Power Company B.S.C. (c)**	**Lekir Bulk Terminal Sdn. Bhd.**	**Other individually immaterial associates**	**Total**
2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group's share of results						
Year ended 31 December, restated						
Group's share of (loss)/profit for the year	(51,515)	32,339	41,652	1,879	10,657	35,012
Group's share of other comprehensive income/(expense)	-	1,656	(23,769)	-	(495)	(22,608)
Group's share of total comprehensive (expense)/income	(51,515)	33,995	17,883	1,879	10,162	12,404
Other information						
Dividend received	-	-	16,975	-	3,000	19,975

7.1 During the financial year, Kapar Energy Ventures Sdn. Bhd. ("KEV"), a 40% owned associate, had restructured the terms of its Redeemable Unsecured Loan Stocks ("RULS"). The interest rate payable on the RULS has been reduced from 15% to 8% per annum and the compounding interest from 5% to 0% per annum with effect from 1 December 2016.

Following the restructuring, the sum of RM254,660,000 due from the associate was derecognised and recognised as an additional capital contribution in the associate. See Note 11.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN A JOINT VENTURE

Group	2016 RM'000	2015 RM'000
At cost		
Unquoted shares, outside Malaysia	64,118	64,118
Share of post-acquisition reserves	(64,118)	(8,678)
	-	55,440

The Group has an interest in Almiyah Attilemcania SPA ("AAS"), a joint arrangement which is principally engaged in the construction, operation and maintenance of a sea water desalination plant and marketing of desalinated water produced in Algeria. AAS is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in AAS as a joint venture.

The following tables summarise the financial information of AAS, as adjusted for any differences in accounting policies and reconcile the information to the carrying amount of the Group's interest in AAS, which is accounted for using the equity method.

	Note	2016 RM'000	2015 RM'000
Percentage of ownership interest		35.7%	35.7%
Percentage of voting interest		40.0%	40.0%
Summarised financial information			
As at 31 December			
Non-current assets		467,339	467,576
Current assets		174,081	211,529
Non-current liabilities		(452,484)	(441,307)
Current liabilities		(188,936)	(82,504)
		-	155,294
Year ended 31 December			
Loss for the year	8.1	(155,294)	(6,848)
Included in the (loss)/profit for the year are:			
Revenue		14,573	87,315
Depreciation and amortisation		(21,568)	(21,079)
Interest expense		(14,884)	(15,184)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN A JOINT VENTURE (CONTINUED)

	Note	2016 RM'000	2015 RM'000
Reconciliation of net assets to carrying amount			
As at 31 December			
Group's share of net assets		-	55,440
Carrying amount in the statements of financial position		-	55,440
Group's share of result			
Year ended 31 December			
Group's share of loss for the year		(55,440)	(2,445)

8.1 During the financial year, the Group has made a provision in relation to a dispute in the joint venture. The provision was made up to the carrying amount of the investment in the joint venture as disclosed in Note 34(i).

9. FINANCE LEASE RECEIVABLE

The finance lease receivable relates to the 25-year lease agreement for the right to use and occupy 3 parcels of land, substation and assets.

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

Group	2016 RM'000	2015 RM'000
Minimum lease payments:		
Within one year	180,678	172,848
1-2 years	187,262	175,249
2-5 years	592,197	559,926
Over 5 years	4,026,282	4,101,405
Gross investment in finance lease	4,986,419	5,009,428
Less : Unearned finance income	(2,721,420)	(2,812,259)
Present value of minimum lease payments	2,264,999	2,197,169
Analysed as:		
1-2 years	9,796	2,707
2-5 years	67,466	46,751
Over 5 years	2,187,737	2,147,711
Total finance lease receivable	2,264,999	2,197,169
Comprising:		
Non-current	2,264,999	2,197,169
	2,264,999	2,197,169

For the financial year ended 31 December 2016, the Group recognised a finance lease income of RM170,837,000 (2015: RM164,421,000) as disclosed in Note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	2016 Assets RM'000	2016 Liabilities RM'000	2015 Assets RM'000	2015 Liabilities RM'000
Non-current				
Derivatives used for hedging				
- Interest rate swaps	-	(153,681)	-	(152,497)
- Cross currency swaps	670,796	-	509,010	-
	670,796	(153,681)	509,010	(152,497)
Current				
Derivatives used for hedging				
- Interest rate swaps	-	(31,411)	-	(29,124)
	-	(31,411)	-	(29,124)
	670,796	(185,092)	509,010	(181,621)

Interest rate and cross currency swaps are used to achieve an appropriate mix of fixed and floating interest rate exposure within the Group's policy. The Group entered into interest rate and cross currency swaps, to hedge the interest rate and foreign exchange risks. The interest rate and cross currency swaps were entered into for a period of 5 to 17 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current					
Other receivables	11.1	91,902	102,615	-	-
Current					
Trade					
Trade receivables	11.2	1,472,533	1,214,105	-	-
Less: Allowance for impairment loss		(271,673)	(271,673)	-	-
		1,200,860	942,432	-	-
Non-trade					
Amount due from subsidiaries		-	-	1,008,238	972,812
Amount due from an associate	11.3	182,312	389,996	182,312	389,996
Other receivables		511,128	401,567	3,084	4,044
Deposits and prepayments		152,257	148,643	7,723	6,347
		845,697	940,206	1,201,357	1,373,199
		2,046,557	1,882,638	1,201,357	1,373,199
		2,138,459	1,985,253	1,201,357	1,373,199

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Other receivables

Other receivables represent the transaction costs which arose from derivative instruments, which will be amortised systematically over the tenure of the hedged item.

11.2 Trade receivables

Included in trade receivables of the Group is an amount owing from an entity that is under control of the Government of Malaysia (a party that has an indirect significant influence on the Group) as at the reporting period as follows:

	Gross balance outstanding	
	2016 RM'000	**2015 RM'000**
Tenaga Nasional Berhad	1,442,736	1,192,801

11.3 Amount due from an associate

During the financial year, KEV, a 40% owned associate had restructured the terms of its RULS. The interest rate payable on the RULS has been reduced from 15% to 8% per annum and the compounding interest from 5% to 0% per annum with effect from 1 December 2016.

Following the restructuring, the sum of RM254,660,000 due from the associate was derecognised and recognised as an additional capital contribution in the associate.

The recoverable sum of the amount due from an associate was based on the present value of estimated future cash flows.

The estimated future cash flows was determined based on the future cash flows expected to be generated from the associate's cash generating unit and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 5-year business plan. Cash flows for a further 8-year period were extrapolated. Management believes that this 13-year forecast period is appropriate as it represents the remaining PPA term;
- Contracted tariffs were determined based on the agreed tariffs in the PPA;
- Net energy output were determined based on the forecasted demand prepared by the customers;
- Repayment of principal and interest on the RULS were determined based on the associate's projected availability of funds; and
- Interest rate is based on the revised interest rate that has been approved by the Board of Directors of the associate.

The values assigned to the key assumptions represent management's assessment of future trends in the power industry and are based on external sources and internal sources (historical data).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DEFERRED TAX ASSETS AND (LIABILITIES)

Deferred tax assets and (liabilities) are attributable to the following:

	Assets			Liabilities			Net		
Group	**2016 RM'000**	**2015 RM'000 Restated**	**2014 RM'000 Restated**	**2016 RM'000**	**2015 RM'000 Restated**	**2014 RM'000 Restated**	**2016 RM'000**	**2015 RM'000 Restated**	**2014 RM'000 Restated**
Property, plant and equipment	-	-	-	(2,140,336)	(1,778,955)	(1,989,694)	(2,140,336)	(1,778,955)	(1,989,694)
Provisions	75,881	75,416	216,594	-	-	-	75,881	75,416	216,594
Intangibles	-	-	-	(804,627)	(915,165)	(1,087,657)	(804,627)	(915,165)	(1,087,657)
Unutilised tax losses	7,893	24,090	21,467	-	-	-	7,893	24,090	21,467
Unutilised capital allowances	440,339	4,061	229,829	-	-	-	440,339	4,061	229,829
Deferred income	800,052	746,247	707,283	-	-	-	800,052	746,247	707,283
Deferred expenses	-	-	-	(86,311)	(63,795)	(41,279)	(86,311)	(63,795)	(41,279)
Others	-	-	2,244	-	-	-	-	-	2,244
Tax assets/(liabilities)	1,324,165	849,814	1,177,417	(3,031,274)	(2,757,915)	(3,118,630)	(1,707,109)	(1,908,101)	(1,941,213)
Set-off of tax	(1,254,597)	(778,128)	(1,104,851)	1,254,597	778,128	1,104,851	-	-	-
Net tax assets/(liabilities)	69,568	71,686	72,566	(1,776,677)	(1,979,787)	(2,013,779)	(1,707,109)	(1,908,101)	(1,941,213)
Company									
Property, plant and equipment	-	-	-	(1,705)	(426)	-	(1,705)	(426)	-

12. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

Movements in temporary differences during the year:

Group	At 1.1.2015 RM'000 Restated	Recognised in profit or loss (Note 25) RM'000 Restated	Recognised in other comprehensive income (Note 27) RM'000 Restated	At 31.12.2015/ 1.1.2016 RM'000 Restated	Recognised in profit or loss (Note 25) RM'000	Recognised in other comprehensive income (Note 27) RM'000	At 31.12.2016 RM'000
Deferred tax assets							
Provisions	216,594	(138,873)	(2,305)	75,416	(1,618)	2,083	75,881
Unutilised tax losses	21,467	2,623	-	24,090	(16,197)	-	7,893
Unutilised capital allowances	229,829	(225,768)	-	4,061	436,278	-	440,339
Deferred income	707,283	38,964	-	746,247	53,805	-	800,052
Others	2,244	(2,244)	-	-	-	-	-
Tax assets	1,177,417	(325,298)	(2,305)	849,814	472,268	2,083	1,324,165
Set-off of tax	(1,104,851)	326,723	-	(778,128)	(476,469)	-	(1,254,597)
Net tax assets	72,566	1,425	(2,305)	71,686	(4,201)	2,083	69,568
Deferred tax liabilities							
Property, plant and equipment	(1,989,694)	210,739	-	(1,778,955)	(361,381)	-	(2,140,336)
Intangibles	(1,087,657)	172,492	-	(915,165)	110,538	-	(804,627)
Deferred expense	(41,279)	(22,516)	-	(63,795)	(22,516)	-	(86,311)
Tax liabilities	(3,118,630)	360,715	-	(2,757,915)	(273,359)	-	(3,031,274)
Set-off of tax	1,104,851	(326,723)	-	778,128	476,469	-	1,254,597
Net tax liabilities	(2,013,779)	33,992	-	(1,979,787)	203,110	-	(1,776,677)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

Movements in temporary differences during the year:

Company	At 1.1.2015 RM'000	Recognised in profit or loss (Note 25) RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss (Note 25) RM'000	At 31.12.2016 RM'000
Deferred tax liabilities					
Property, plant and equipment	-	(426)	(426)	(1,279)	(1,705)

Included in the Group's deferred tax assets as at 31 December 2016 is deferred tax in relation to Malakoff Australia Pty. Ltd.'s joint venture in the Macarthur wind farm project amounting to RM26,733,000. During the financial year 2015, the Group had an application to the Australian Taxation Office ("ATO") for a private ruling to confirm the taxation implications in relation to the initial restructuring and asset transfer within the Malakoff Group. Whilst the outcome of the ruling was positive, the ATO indicated that the swap contracts with AGL Hydro Partnership ("AGL") may not be allowed as tax deductions under the Taxation of Financial Agreements ("TOFA") rules.

The Directors of the subsidiary is of the view that the swap contracts with AGL represent TOFA assets and therefore are allowed as tax deductions under TOFA rules.

The Group has estimated an increase in deferred tax liability of AUD41,687,000 (approximately RM134,983,000) as at 31 December 2016, if the swap contracts are deemed as non-deductible assets from the perspective of tax authorities.

13. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
At cost		
Consumables	387,611	370,928
Coal	206,220	134,950
Diesel fuel	68,442	69,216
	662,273	575,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. OTHER INVESTMENTS

	Group	
	2016 RM'000	2015 RM'000
Loans and receivables:		
Deposits with licensed banks and other licensed corporations	1,403,801	629,241

Included in other investments of the Group are amounts that are placed with licensed banks which are under control of the Government of Malaysia (a party that has an indirect significant influence on the Group) as follows:

	Group	
	2016 RM'000	2015 RM'000
Deposits with licensed banks and other licensed corporations	1,307,764	498,858

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks and other licensed corporations	2,646,098	2,526,595	312,354	304,755
Cash and bank balances	360,704	326,751	8,136	8,380
	3,006,802	2,853,346	320,490	313,135

Included in cash and cash equivalents of the Group and of the Company are amounts that are placed with licensed banks and other licensed corporations which are under control of the Government of Malaysia (a party that has an indirect significant influence on the Group and on the Company) as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks and other licensed corporations	2,409,872	2,097,863	220,477	313,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. CAPITAL AND RESERVES

Share capital

	2016		2015	
Group and Company	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**
Authorised:				
Ordinary shares				
At 1 January of RM0.10 each/RM1.00 each	1,000,000	10,000,000	490,000	490,000
Reclassified of ordinary shares at RM1.00 each to RCPS at RM0.90 each	-	-	(90,000)	(90,000)
Conversion of RCPS at RM1.00 each	-	-	100,000	100,000
Subdivision of par value to RM0.10 each	-	-	-	4,500,000
Created during the year	-	-	500,000	5,000,000
At 31 December of RM0.10 each	1,000,000	10,000,000	1,000,000	10,000,000
Redeemable convertible non-cumulative preference shares				
At 1 January of RM0.10 each	-	-	10,000	100,000
Reclassified of ordinary shares at RM1.00 each to RCPS at RM0.90 each	-	-	90,000	100,000
Consolidation of par value to RM1.00 each	-	-	-	(100,000)
Conversion of RCPS at RM1.00 each	-	-	(100,000)	(100,000)
At 31 December of RM0.10 each	-	-	-	-
Issued and fully paid:				
Ordinary shares				
At 1 January of RM0.10 each/RM1.00 each	500,000	5,000,000	351,344	351,344
Conversion of RCPS at RM1.00 each	-	-	41,792	41,792
Bonus issue at RM1.00 each	-	-	6,864	6,864
Subdivision of par value to RM0.10 each	-	-	-	3,600,000
Issued during the year at RM0.10 each	-	-	100,000	1,000,000
At 31 December of RM0.10 each	500,000	5,000,000	500,000	5,000,000
Redeemable convertible non-cumulative preference shares				
At 1 January of RM0.10 each	-	-	4,179	41,792
Issued during the year at RM0.90 each	-	-	37,613	41,792
Consolidation of par value to RM1.00 each	-	-	-	(41,792)
Conversion of RCPS at RM1.00 each	-	-	(41,792)	(41,792)
At 31 December of RM0.10 each	-	-	-	-

16. CAPITAL AND RESERVES (CONTINUED)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Redeemable convertible non-cumulative preference shares ("RCPS")

In 2015, holders of RCPS received one additional RCPS of RM0.90 each for every one existing RCPS held by the holders of the RCPS. Subsequently, all RCPS are consolidated into one new RCPS of RM1.00 each. Following the consolidation of these RCPS, the Company converted the entire 41,792,004 consolidated RCPS into 41,792,004 new ordinary shares of RM1.00 each. These new ordinary shares rank pari-passu to the existing ordinary share in the Company.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Capital redemption reserve

The Company had on 1 October 2009 redeemed 8,400,000 RCPS at a redemption price of RM10.00 per share comprising the nominal amount of RM0.10 each and premium of RM9.90 each to the RCPS holders registered in the Company's Register of Members. The redemption of the RCPS was made proportionately in respect of each holding of RCPS, fully paid out from the retained profits and share premium account of the Company.

In accordance with the requirement of Section 67A of the Companies Act, 1965, an amount equivalent to the nominal value of the RCPS totalling RM840,000 was transferred from the retained profits to the capital redemption reserve.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related transactions that have not yet occurred.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. LOANS AND BORROWINGS

	Note	Group 2016 RM'000	Group 2015 RM'000
Non-current			
Secured			
AUD term loan 1	17.2	453,320	-
AUD term loan 2	17.3	1,597,680	1,578,690
RM term loan	17.4	6,946	12,081
Sukuk Ijarah medium term notes	17.6	3,662,891	3,620,590
Sukuk medium term notes	17.7	3,921,702	3,855,385
Sukuk Wakalah	17.8	290,000	345,000
Senior Sukuk Murabahah	17.9	3,205,000	3,290,000
Senior RM term loan	17.10	653,310	647,000
Senior USD term loan	17.11	1,743,080	1,587,369
USD term loan	17.12	-	332,317
Unsecured			
Junior EBL term loan	17.13	-	1,251,635
Subordinated loan notes		92,500	104,500
		15,626,429	16,624,567
Current			
Secured			
Al-Istisna bonds	17.1	-	64,650
AUD term loan 1	17.2	-	439,698
AUD term loan 2	17.3	29,919	24,237
RM term loan	17.4	5,135	5,135
Commodity Murabahah Term Financing-I	17.5	-	15,000
Sukuk medium term notes	17.7	-	100,000
Sukuk Wakalah	17.8	55,000	55,000
Senior Sukuk Murabahah	17.9	85,000	-
Senior RM term loan	17.10	46,690	-
Senior USD term loan	17.11	51,320	-
USD term loan	17.12	347,216	19,321
Unsecured			
Junior EBL term loan	17.13	1,290,139	-
		1,910,419	723,041
		17,536,848	17,347,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. LOANS AND BORROWINGS (CONTINUED)

17.1 Al-Istisna bonds issued by Prai Power Sdn. Bhd. ("PPSB")

Security

As at 31 December 2015, the Al-Istisna bonds are secured over property, plant and equipment with a carrying amount of RM580,299,000. The Al-Istisna bonds have been fully redeemed during the financial year.

17.2 AUD term loan 1 drawdown by Malakoff International Limited ("MIL")

Security

As at 31 December 2016, the AUD term loan 1 is secured over a first ranking share pledged over investment in subsidiaries and assignment of MIL's rights under certain intercompany loans.

Significant covenant

During the financial year, MIL had refinanced the AUD term loan 1. Following the refinancing, MIL is required to maintain a total debt-to-equity ratio of the parent (the Company) of not more than 1:1 (2015: 1.25:1) and a Group total debt-to-equity ratio of not more than 5.5:1 (2015: 7:1).

17.3 AUD term loan 2 drawdown by Wind Macarthur Finco Pty Limited ("WMF")

Security

As at 31 December 2016, the AUD term loan 2 is secured over certain subsidiaries' security documents.

Significant covenant

WMF is required to maintain a minimum projected debt service cover ratio of 1.10:1 on any two consecutive calculation date.

17.4 RM term loan drawdown by Malakoff Utilities Sdn. Bhd. ("MUSB")

Security

As at 31 December 2016, the RM term loan is secured over certain property, plant and equipment with a carrying amount of RM30,574,000 (2015: RM35,244,000).

Significant covenant

MUSB is required to maintain a debt-to-equity ratio of not more than 1.50:1 and a debt service cover ratio of not less than 1.20 times.

17.5 Commodity Murabahah Term Financing-I drawdown by Port Dickson Power Berhad ("PDP")

Security

The Commodity Murabahah Term Financing-I is secured against the Debenture, the Assignment of PPA Proceeds, the Assignment and Charge of Designated Accounts and other documents. The Commodity Murabahah Term Financing-I has been fully settled during the financial year.

17. LOANS AND BORROWINGS (CONTINUED)

17.6 Sukuk Ijarah medium term notes issued by Tanjung Bin Power Sdn. Bhd. ("TBP")

Security

As at 31 December 2016, the Sukuk Ijarah medium term notes are secured over property, plant and equipment with a carrying amount of RM5,088,042,000 (2015: RM5,187,295,000).

Significant covenant

TBP is required to maintain a debt-to-equity ratio of not more than 80:20 and a finance service cover ratio of at least 1.25 times.

17.7 Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")

Security

As at 31 December 2016, the Sukuk medium term notes are secured over an irrevocable and unconditional guarantee under the principal of Kafalah from Malakoff Corporation Berhad, an assignment and charge over MPB designated accounts and a third party assignment and charge over Malakoff Corporation Berhad's disposal proceeds account.

Significant covenant

MPB is required to maintain an aggregated debt-to-equity ratio of not more than 1:1 and the Group debt-to-equity ratio of not more than 5.5:1.

17.8 Sukuk Wakalah issued by Tanjung Bin O&M Berhad ("TBOM")

Security

As at 31 December 2016, the Sukuk Wakalah is secured over the Operation and Maintenance Agreement, Sub Operation and Maintenance Agreement and Asset Sales Agreement held by TBOM and all the balances in TBOM's designated accounts.

Significant covenant

TBOM is required to maintain a debt-to-equity ratio of not more than 80:20 commencing 24 months after the issue date until the final maturity and a finance service cover ratio of at least 1.25 times.

17.9 Senior Sukuk Murabahah issued by Tanjung Bin Energy Issuer Berhad ("TBEI")

Security

As at 31 December 2016, the Senior Sukuk Murabahah is secured over TBEI's property, plant and equipment with a carrying amount of RM5,951,745,000 (2015: RM6,052,721,000).

Significant covenant

TBEI is required to maintain a debt-to-equity ratio of not exceeding 80:20 and a finance service cover ratio of not less than 1.05:1.

17. LOANS AND BORROWINGS (CONTINUED)

17.10 Senior RM term loan drawdown by Tanjung Bin Energy Issuer Berhad ("TBEI")

Security

As at 31 December 2016, the Senior RM term loan is secured over TBEI's property, plant and equipment as disclosed in Note 17.9.

Significant covenant

TBEI is required to maintain a debt-to-equity ratio of not exceeding 80:20 and a finance service cover ratio of not less than 1.05:1.

17.11 Senior USD term loan drawdown by Tanjung Bin Energy Issuer Berhad ("TBEI")

Security

As at 31 December 2016, the Senior USD term loan is secured over TBEI's property, plant and equipment as disclosed in Note 17.9.

Significant covenant

TBEI is required to maintain a debt-to-equity ratio of not exceeding 80:20 and a finance service cover ratio of not less than 1.05:1.

17.12 USD term loan drawdown by Malakoff International Limited ("MIL")

Security

As at 31 December 2016, the USD term loan is secured over MIL's designated account and its investment in a subsidiary.

Significant covenant

MIL is required to maintain a debt-to-equity ratio of the Guarantor (the Company) of not more than 1.25:1 and a Group debt-to-equity ratio of not more than 7:1.

17.13 Junior EBL term loan facility drawdown by Tanjung Bin Energy Issuer Berhad ("TBEI")

Significant covenant

TBEI is required to maintain a debt-to-equity ratio of the Original Sponsor (the Company) of not more than 1.25:1 and a Group debt-to-equity ratio of not more than 7:1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. EMPLOYEE BENEFITS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Defined benefit obligations	102,463	94,399	21,593	21,931
Fair value of plan assets	(7,635)	(9,501)	(1,993)	(8,332)
Net defined benefit liabilities	94,828	84,898	19,600	13,599

The Company's Staff Retirement Benefits Scheme ("The Scheme") provides pension benefits for the eligible employees upon retirement. Five entities within the Group, namely Malakoff Corporation Berhad, Teknik Janakuasa Sdn. Bhd., Malakoff Utilities Sdn. Bhd., Malakoff Engineering Sdn. Bhd. and Malakoff Power Berhad participated in making contributions to The Scheme.

The following table shows the reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

Movement in defined benefit obligations

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Defined benefit obligations at beginning of the year	94,399	90,526	21,931	26,322
Included in profit or loss				
Current service cost	7,301	7,784	1,797	2,060
Interest cost	4,943	4,700	1,146	1,309
	12,244	12,484	2,943	3,369
Included in other comprehensive income				
Actuarial loss arising from:				
- Financial assumptions	2,022	-	385	-
	2,022	-	385	-
Others				
Benefits paid directly by the employer	(3,486)	(2,387)	(1,313)	(1,536)
Benefits paid by the plan	(2,716)	(6,224)	(2,353)	(6,224)
	(6,202)	(8,611)	(3,666)	(7,760)
Defined benefit obligations at end of the year	102,463	94,399	21,593	21,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. EMPLOYEE BENEFITS (CONTINUED)

Movement in fair value of plan assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plan assets at beginning of the year	(9,501)	(15,619)	(8,332)	(13,975)
Included in profit or loss				
Interest income	(549)	(792)	(469)	(692)
	(549)	(792)	(469)	(692)
Included in other comprehensive income				
Return on scheme assets lesser than discount rate	814	686	4,825	111
	814	686	4,825	111
Others				
Benefits paid by the plan	2,716	6,224	2,353	6,224
Employer contribution	(1,115)	-	(370)	-
	1,601	6,224	1,983	6,224
Plan assets at end of the year	(7,635)	(9,501)	(1,993)	(8,332)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. EMPLOYEE BENEFITS (CONTINUED)

Movement in net defined benefit liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net defined benefit liabilities at beginning of the year	84,898	74,907	13,599	12,347
Included in profit or loss				
Current service cost	7,301	7,784	1,797	2,060
Interest cost	4,394	3,908	677	617
	11,695	11,692	2,474	2,677
Included in other comprehensive income				
Actuarial loss arising from:				
- Financial assumptions	2,022	-	385	-
Return on scheme assets lesser than discount rate	814	686	4,825	111
	2,836	686	5,210	111
Others				
Benefits paid directly by the employer	(3,486)	(2,387)	(1,313)	(1,536)
Employer contribution	(1,115)	-	(370)	-
	(4,601)	(2,387)	(1,683)	(1,536)
Net defined benefit liabilities at end of the year	94,828	84,898	19,600	13,599

The Group expects to pay RM4,155,000 in contributions to the defined benefit plan in 2017.

Plan assets

The major categories of plan assets are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Equity instruments	4,519	5,843	1,180	5,124
Malaysian government securities	1,496	2,100	391	1,841
Foreign investments	176	1,045	46	917
Derivatives	-	10	-	8
Cash and cash equivalents	1,153	456	301	400
Others	291	47	75	42
	7,635	9,501	1,993	8,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Discount rate	5.20%	5.40%	5.20%	5.40%
Salary inflation	7.88%	7.88%	7.88%	7.88%

As at 31 December 2016, The Scheme duration is estimated to be around 11 years (2015: 11 years).

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		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on the aggregate service and interest costs				
Discount rate				
One percentage point increase	(314)	(418)	(97)	(118)
One percentage point decrease	310	436	103	115
Salary inflation				
One percentage point increase	1,560	1,645	394	438
One percentage point decrease	(1,348)	(1,401)	(332)	(384)
Impact on the defined benefit obligation				
Discount rate				
One percentage point increase	(9,809)	(9,184)	(2,340)	(2,310)
One percentage point decrease	11,524	10,690	2,961	2,650
Salary inflation				
One percentage point increase	13,400	11,440	3,443	2,865
One percentage point decrease	(11,544)	(9,982)	(2,786)	(2,536)

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. PROVISION FOR DECOMMISSIONING COST

Group	2016 RM'000	2015 RM'000
Non-current	85,625	68,058
	85,625	68,058

Provision for decommissioning cost is the estimated cost that the Group will have to incur in removing or dismantling the power plants at the end of the estimated useful lives of the power plant.

20. DEFERRED INCOME

Group	2016 RM'000	2015 RM'000
At beginning of the year	3,109,363	2,941,580
Additions	365,294	298,167
Credited to profit or loss	(141,107)	(130,384)
At end of the year	3,333,550	3,109,363
Non-current	3,230,403	2,968,256
Current	103,147	141,107
At end of the year	3,333,550	3,109,363

21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade payables	21.1	501,655	303,822	-	-
Non-trade					
Other payables	21.2	86,814	168,877	10,721	10,324
Accrued expenses	21.2	413,774	351,623	5,655	7,138
Amounts due to subsidiaries	21.3	-	-	1,302,491	1,197,508
		500,588	520,500	1,318,867	1,214,970
		1,002,243	824,322	1,318,867	1,214,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND OTHER PAYABLES (CONTINUED)

21.1 Trade payables

Included in trade payables of the Group are amounts owing to entities that are under control of the Government of Malaysia (a party that has an indirect significant influence on the Group) as at the reporting period as follows:

	Gross balance outstanding	
	2016 RM'000	**2015 RM'000**
Petroliam Nasional Berhad	46,917	57,366
Petronas Dagangan Berhad	-	992
TNB Fuel Services Sdn. Bhd.	435,058	198,391
Tenaga Nasional Berhad	9,663	9,234
	491,638	265,983

21.2 Other payables and accrued expenses

As at 31 December 2016, included in accrued expenses of the Group were interest expense payable of RM140,263,000 (2015: RM139,408,000) and provision for CESS fund of RM32,562,000 (2015: RM27,991,000).

21.3 Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand except for an amount of RM771,326,000 (2015: RM771,326,000), which is subject to an interest rate of 7.71% (2015: 7.71%).

22. REVENUE

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Electricity generation and distribution	5,885,222	5,099,017	-	-
Project management fees	1,686	1,164	1,686	1,164
Rental income from estate	4,264	2,202	4,264	2,202
Operation and maintenance fees	36,411	35,183	-	-
Finance lease income	170,837	164,421	-	-
Dividends from subsidiaries	-	-	330,085	256,375
Management fees from subsidiaries	-	-	26,101	26,490
	6,098,420	5,301,987	362,136	286,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCE INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income of financial assets that are not at fair value through profit or loss	193,828	203,759	56,186	85,358
Recognised in profit or loss	191,252	192,053	56,186	85,358
Capitalised on qualifying assets as a deduction from the borrowing costs:				
- Property, plant and equipment	2,576	11,706	-	-
	193,828	203,759	56,186	85,358

24. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Loans and borrowings	1,080,857	1,086,504	59,470	101,155
Other finance costs	4,982	5,406	-	-
	1,085,839	1,091,910	59,470	101,155
Recognised in profit or loss	1,012,045	794,618	59,470	101,155
Capitalised on qualifying assets:				
- Property, plant and equipment	73,794	297,292	-	-
	1,085,839	1,091,910	59,470	101,155

25. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2016 RM'000	**2015 RM'000 Restated**	**2016 RM'000**	**2015 RM'000**
Current tax expense				
Malaysian – current year	414,599	249,909	14,197	17,948
Overseas – current year	7,999	4,673	-	-
Under/(Over) provision in prior years	7,810	(13,021)	(893)	528
	430,408	241,561	13,304	18,476
Deferred tax expense				
Origination and reversal of temporary differences	(195,884)	(66,750)	1,313	426
(Over)/Under provision in prior years	(3,025)	31,333	(34)	-
	(198,909)	(35,417)	1,279	426
Total income tax expense	231,499	206,144	14,583	18,902
Reconciliation of tax expense				
Profit for the year	406,042	495,047	248,458	159,194
Total income tax expense	231,499	206,144	14,583	18,902
Profit excluding tax	637,541	701,191	263,041	178,096
Tax at Malaysian tax rate of 24% (2015: 25%)	153,010	175,298	63,130	44,524
Non-taxable income	(17,451)	(15,559)	(79,220)	(64,094)
Non-deductible expenses	94,732	68,548	31,600	37,944
Effect of tax rates in foreign jurisdictions	974	3,505	-	-
Effect of corporate tax rate reduction on deferred tax*	-	(45,235)	-	-
Effect of share of results of associates	(4,551)	1,275	-	-
Under/(Over) provision in prior years				
- current tax	7,810	(13,021)	(893)	528
- deferred tax	(3,025)	31,333	(34)	-
Total income tax expense	231,499	206,144	14,583	18,902

* A reduction in the corporate tax rate from 25% to 24% was proposed in the 2014 budget. For the Group, management has used judgement with regard to determining temporary differences expected to reverse and estimated the temporary difference. The effect of any change is recognised in the profit or loss. The reduction will be effective 1 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. PROFIT FOR THE YEAR

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year is arrived at after charging:				
Amortisation of intangible assets	495,364	534,166	-	-
Amortisation of prepaid lease payments	4,569	4,376	-	-
Amortisation of transaction costs of hedging instruments	12,178	12,146	-	-
Auditors' remuneration:				
Audit fees				
- KPMG	1,975	2,199	743	552
- Other audit firms	569	464	230	162
Non-audit fees				
- KPMG*	1,322	1,995	576	1,165
Contribution and Corporate Social Responsibility activities	12,000	9,000	-	-
Depreciation of property, plant and equipment	900,833	625,711	6,391	6,254
Loss on disposal of property, plant and equipment	162	-	162	-
Impairment loss on other receivables	-	5,120	-	5,120
Impairment loss on trade receivables	-	6,956	-	-
Personnel expenses (including key management personnel):				
Contribution to Employees Provident Fund	22,087	19,346	6,915	5,447
Expenses related to retirement benefit plans	11,695	11,692	2,474	2,677
Wages, salaries and others	152,269	135,424	40,560	35,481
Plant and equipment written off	23,014	68,854	-	-
Realised foreign exchange loss	4,858	625	-	223
Unrealised foreign exchange loss	10,041	3,231	-	-
Zakat expenses	1,592	1,369	1,592	1,369
and after crediting:				
Dividends from subsidiaries	-	-	330,085	256,375
Gain on disposal of property, plant and equipment	-	78	-	78
Gain arising from change in fair value of derivative financial instruments	16,962	8,527	-	-
Reversal of impairment loss on trade receivables	-	3,170	-	-
Realised foreign exchange gain	535	9,447	530	-
Unrealised foreign exchange gain	1,362	15,603	-	-

* The non-audit fees paid/payable primarily relates to tax services and advisory services in relation to potential acquisitions and sustainability reporting training.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. OTHER COMPREHENSIVE INCOME

Group	Before tax RM'000	Tax credit/ (expense) RM'000	Net of tax RM'000
2016			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(2,836)	(568)	(3,404)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge - Gain arising during the year	12,980	2,651	15,631
Share of gain on hedging reserve of equity-accounted associates	54,537	-	54,537
Foreign currency translation differences for foreign operations			
- Gain arising during the year	3,371	-	3,371
	70,888	2,651	73,539
2015			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(686)	149	(537)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge - Loss arising during the year	(28,631)	(2,454)	(31,085)
Share of losses on hedging reserve of equity-accounted associates	(24,615)	-	(24,615)
Foreign currency translation differences for foreign operations			
- Gain arising during the year	32,049	-	32,049
	(21,197)	(2,454)	(23,651)
Company			
2016			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(5,210)	-	(5,210)
2015			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(111)	-	(111)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2016	2015 Restated
Profit attributable to ordinary shareholders (RM'000)	355,463	452,385
Weighted average number of ordinary shares at 31 December ('000)	5,000,000	4,531,422
Basic earnings per ordinary share (sen)	7.11	9.98

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2016 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Group	2016	2015 Restated
Weighted average number of ordinary shares at 31 December (basic) ('000)	5,000,000	4,531,422
Effect of conversion of redeemable convertible preference shares ('000)	-	104,194
Weighted average number of ordinary shares at 31 December ('000)	5,000,000	4,635,616
Diluted earnings per share (sen)	7.11	9.76

29. DIVIDENDS

Dividends recognised by the Company:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2016			
Final 2015 ordinary	2.00	100,000	27 May 2016
Interim 2016 ordinary	3.50	175,000	4 October 2016
Total amount		275,000	
2015			
Final 2014 ordinary	28.46	100,000	5 March 2015
Interim 2015 ordinary	3.00	150,000	8 July 2015
Interim 2015 ordinary	2.00	100,000	28 December 2015
Total amount		350,000	

After the end of the reporting period the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial year upon approval by the owners of the Company.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2016 of 3.50 sen per ordinary share amounting to RM175,000,000 (based on 5,000,000,000 ordinary shares in issue as at 31 December 2016) will be proposed for the shareholders' approval.

30. OPERATING SEGMENTS

The Group has two operating segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group Managing Director ("the chief operating decision maker") reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's operating segments:

- Asset management

  Asset management division is responsible for managing assets to achieve the greatest return and the process of monitoring and maintaining facilities systems.

- Operations and maintenance ("O&M")

  O&M division is responsible for providing repair and maintenance services for all the power plant equipment within the Group.

Segment profit and loss is measured based on profit before taxes, finance costs, interest income and share of profit of associates and a joint venture, net of tax as included in the internal management reports that are reviewed by the chief operating decision maker.

Segment assets

The segment assets consist of property, plant and equipment, intangible assets, prepaid lease payments, investment in a joint venture, finance lease receivable, derivative financial assets, other receivables, deferred tax assets, trade and other receivables, inventories, current tax assets, other investments and cash and cash equivalents of the segment. Investment in associates is excluded from the segment assets. The segment assets is included in the internal management reports that are reviewed by the chief operating decision maker.

Segment liabilities

The segment liabilities consist of loans and borrowings, employee benefits, deferred income, deferred tax liabilities, derivative financial liabilities, provision for decommissioning costs, trade and other payables and current tax liabilities of the segment. The segment liabilities is included in the internal management reports that are reviewed by the chief operating decision maker.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OPERATING SEGMENTS (CONTINUED)

	Asset management		O&M		Eliminations[(A)]		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 Restated
Business segments								
Revenue from external customers	6,062,009	5,266,804	36,411	35,183	-	-	6,098,420	5,301,987
Inter-segment revenue	963,040	444,064	1,058,762	1,041,163	(2,021,802)	(1,485,227)	-	-
Total segment revenue	7,025,049	5,710,868	1,095,173	1,076,346	(2,021,802)	(1,485,227)[(A)]	6,098,420	5,301,987
Results from operating activities	2,451,116	1,848,212	302,852	177,400	(1,314,598)	(716,754)[(B)]	1,439,370	1,308,858
Finance income							191,252	192,053
Finance costs							(1,012,045)	(794,618)
Share of profit/(loss) of equity-accounted associates and a joint venture, net of tax							18,964	(5,102)
Income tax expense							(231,499)	(206,144)
Profit for the year							406,042	495,047

A. Inter-segment transactions are eliminated on consolidation.

B. Adjustments consists of inter-segment transactions of RM1,780,428,000 (2015: RM1,223,407,000) and amortisation of intangible assets of RM465,830,000 (2015: RM506,653,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OPERATING SEGMENTS (CONTINUED)

	Asset management		O&M		Consolidated	
	2016 RM'000	2015 RM'000 Restated	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000 Restated
Segment assets	26,255,084	26,192,206	2,532,442	2,254,816	28,787,526	28,447,022
Investment in associates	1,476,010	1,140,887	-	-	1,476,010	1,140,887
Total assets					30,263,536	29,587,909
Segment liabilities	19,322,832	18,664,845	4,809,409	4,942,946	24,132,241	23,607,791
Capital expenditure	465,285	1,428,259	6,758	5,999	472,043	1,434,258
Non-cash expenses items:						
Amortisation of intangible assets	(405,289)	(420,304)	(90,075)	(113,862)	(495,364)	(534,166)
Amortisation of prepaid lease payments	(4,569)	(4,376)	-	-	(4,569)	(4,376)
Amortisation of transaction costs of hedging instruments	(10,713)	(12,146)	-	-	(10,713)	(12,146)
Depreciation	(897,570)	(622,928)	(3,263)	(2,783)	(900,833)	(625,711)
Expenses related to retirement benefit plans	(3,282)	(3,427)	(8,413)	(8,265)	(11,695)	(11,692)
Impairment loss on trade receivables	-	(6,956)	-	-	-	(6,956)
Impairment loss on other receivables	-	(5,120)	-	-	-	(5,120)
Goodwill written off	-	(5,493)	-	(1,880)	-	(7,373)
Property, plant and equipment written off	(23,014)	(68,854)	-	-	(23,014)	(68,854)
	(1,344,437)	(1,149,604)	(101,751)	(126,790)	(1,446,188)	(1,276,394)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OPERATING SEGMENTS (CONTINUED)

Geographical information

The Asset Management and O&M segments are managed on a worldwide basis, but operate facilities in Malaysia, Indonesia, Middle East and Australia.

Geographic revenue information is based on geographical location of the customers. Geographic non-current assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates and investment in a joint venture) and deferred tax assets.

Group Geographical information	Revenue RM'000	Non-current assets RM'000
2016		
Malaysia	5,895,219	18,394,236
Indonesia	18,999	-
Middle East	13,365	-
Australia	170,837	-
	6,098,420	18,394,236
2015		
Malaysia	5,102,383	19,335,744
Indonesia	17,314	-
Middle East	17,869	-
Australia	164,421	-
	5,301,987	19,335,744

Major customer

The following is a major customer with revenue equal or more than 10% of the Group's total revenue:

	Revenue	
	2016 RM'000	2015 RM'000
All common control company of:		
Tenaga Nasional Berhad	5,750,628	4,973,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

a) Loans and receivables (L&R);
b) Financial liabilities measured at amortised cost (FL); and
c) Fair value through profit or loss (FVTPL) – Designated upon initial recognition (DUIR)

Group 2016	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL-DUIR RM'000
Financial assets			
Trade and other receivables*	1,973,633	1,973,633	-
Finance lease receivable	2,264,999	2,264,999	-
Other investments	1,403,801	1,403,801	-
Cash and cash equivalents	3,006,802	3,006,802	-
Derivative financial asset	670,796	-	670,796
	9,320,031	8,649,235	670,796
Financial liabilities			
Loans and borrowings	(17,536,848)	(17,536,848)	-
Trade and other payables*	(987,029)	(987,029)	-
Derivative financial liabilities	(185,092)	-	(185,092)
	(18,708,969)	(18,523,877)	(185,092)
2015			
Financial assets			
Trade and other receivables*	1,810,575	1,810,575	-
Finance lease receivable	2,197,169	2,197,169	-
Other investments	629,241	629,241	-
Cash and cash equivalents	2,853,346	2,853,346	-
Derivative financial assets	509,010	-	509,010
	7,999,341	7,490,331	509,010
Financial liabilities			
Loans and borrowings	(17,347,608)	(17,347,608)	-
Trade and other payables*	(809,165)	(809,165)	-
Derivative financial liabilities	(181,621)	-	(181,621)
	(18,338,394)	(18,156,773)	(181,621)

* Excludes non-financial instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.1 Categories of financial instruments (continued)

Company 2016	Carrying amount RM'000	L&R/ (FL) RM'000
Financial assets		
Trade and other receivables	1,201,357	1,201,357
Cash and cash equivalents	320,490	320,490
	1,521,847	1,521,847
Financial liabilities		
Trade and other payables*	(1,318,860)	(1,318,860)
	(1,318,860)	(1,318,860)
2015		
Financial assets		
Trade and other receivables	1,373,199	1,373,199
Cash and cash equivalents	313,135	313,135
	1,686,334	1,686,334
Financial liabilities		
Trade and other payables*	(1,214,729)	(1,214,729)
	(1,214,729)	(1,214,729)

* Excludes non-financial instruments

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and receivables	191,252	194,853	56,186	80,238
Financial liabilities measured at amortised cost	(1,085,839)	(1,091,910)	(59,470)	(101,155)
Fair value through profit or loss designated upon initial recognition	16,962	8,527	-	-
	(877,625)	(888,530)	(3,284)	(20,917)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

31.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees of banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on significant customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group and the Company. Given their high credit ratings, management does not expect any counterparty to fail to meet their obligations.

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade debts due from TNB, representing approximately 57% (2015: 49%) of the total 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.

31. FINANCIAL INSTRUMENTS(CONTINUED)

31.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2016 RM'000	2015 RM'000
Domestic	1,193,040	941,429
Others	7,820	1,003
	1,200,860	942,432

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment RM'000	Net RM'000
2016			
Not past due	1,191,780	-	1,191,780
Past due 0 – 30 days	1,789	-	1,789
Past due 31 – 120 days	5,708	-	5,708
Past due more than 120 days	273,256	(271,673)	1,583
	1,472,533	(271,673)	1,200,860
2015			
Not past due	934,855	-	934,855
Past due 0 – 30 days	1,466	-	1,466
Past due 31 – 120 days	5,259	-	5,259
Past due more than 120 days	272,525	(271,673)	852
	1,214,105	(271,673)	942,432

At the end of the reporting period, trade receivables with a carrying amount of RM9,080,000 (2015: RM7,577,000) were past due but not considered impaired. These trade receivables relate to customers for whom there has not been significant change in credit quality and the amounts are considered recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment loss on trade receivables during the financial year were:

Group	2016 RM'000	2015 RM'000
At beginning of the year	271,673	360,627
Impairment loss recognised	-	6,956
Impairment loss reversed	-	(3,170)
Impairment loss written off	-	(92,740)
At end of the year	271,673	271,673

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is probable, the amount considered irrecoverable is written off against the receivable directly.

Intercompany advances

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

31.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest):

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2016							
Financial liabilities							
Secured							
AUD term loan 1	453,320	BBSY + margin 1.33	487,646	14,204	14,204	459,238	-
AUD term loan 2	1,627,599	5.98-7.82	2,086,549	155,985	1,219,741	189,137	521,686
RM term loan	12,081	6.67	12,989	5,756	5,413	1,820	-
Sukuk Ijarah medium term notes	3,662,891	4.54-5.45	5,625,991	201,539	201,539	1,878,647	3,344,266
Sukuk medium term notes	3,921,702	4.90-6.25	8,503,911	252,275	568,775	2,591,465	5,091,396
Sukuk Wakalah	345,000	4.25-5.60	480,141	72,379	14,924	99,897	292,941
Senior Sukuk Murabahah	3,290,000	4.65-6.20	5,548,326	274,284	246,172	749,324	4,278,546
Senior RM term loan	700,000	4.90-5.80	945,833	78,077	95,060	341,624	431,072
Senior USD term loan	1,794,400	5.80	2,861,385	155,395	178,722	661,163	1,866,105
USD term loan	347,216	Libor + margin 2.50	348,075	348,075	-	-	-
Unsecured							
Junior EBL term loan	1,290,139	4.90-5.15	1,301,397	1,301,397	-	-	-
Subordinated loan notes	92,500	9.00	151,945	14,710	13,968	47,416	75,851
Trade and other payables	987,029	-	987,029	987,029	-	-	-
	18,523,877		29,341,217	3,861,105	2,558,518	7,019,731	15,901,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest) (continued):

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2015							
Financial liabilities							
Secured							
Al-Istisna bonds	64,650	9.20	67,990	67,990	-	-	-
AUD term loan 1	439,698	BBSY + margin 1.85	448,968	448,968	-	-	-
AUD term loan 2	1,602,927	5.72-7.90	2,135,411	140,549	143,124	1,294,131	557,607
RM term loan	17,216	6.67	19,279	6,155	5,813	7,311	-
Commodity Murabahah Term Financing-I	15,000	4.45	15,039	15,039	-	-	-
Sukuk Ijarah medium term notes	3,620,590	4.54-5.45	5,827,530	201,539	201,539	1,605,782	3,818,670
Sukuk medium term notes	3,955,385	4.50-6.25	8,885,680	381,769	252,275	2,344,664	5,906,972
Sukuk Wakalah	400,000	4.13-5.60	554,768	74,628	72,379	44,855	362,906
Senior Sukuk Murabahah	3,290,000	4.65-6.20	5,740,783	192,457	274,284	749,290	4,524,752
Senior RM term loan	647,000	5.23-5.80	929,266	34,644	78,305	318,924	497,393
Senior USD term loan	1,587,369	5.80	2,615,749	84,500	141,185	566,867	1,823,197
USD term loan	351,638	Libor + margin 2.50	366,479	29,328	337,151	-	-
Balance carried forward	15,991,473		27,606,942	1,677,566	1,506,055	6,931,824	17,491,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest) (continued):

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2015							
Financial liabilities (continued)							
Balance carried forward	15,991,473		27,606,942	1,677,566	1,506,055	6,931,824	17,491,497
Unsecured							
Junior EBL term loan	1,251,635	5.15-5.23	1,330,558	67,020	1,263,538	-	-
Subordinated loan notes	104,500	9.00	188,316	20,609	14,447	28,906	124,354
Trade and other payables	809,165	-	809,165	809,165	-	-	-
	18,156,773		29,934,981	2,574,360	2,784,040	6,960,730	17,615,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest) (continued):

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
2016				
Financial liabilities				
Unsecured				
Other payables and accruals	16,369	-	16,369	16,369
Amounts due to subsidiaries	771,326	7.71	830,795	830,795
Amounts due to subsidiaries	531,165	-	531,165	531,165
	1,318,860		1,378,329	1,378,329
2015				
Financial liabilities				
Unsecured				
Other payables and accruals	17,221	-	17,221	17,221
Amounts due to subsidiaries	771,326	7.71	830,795	830,795
Amounts due to subsidiaries	426,182	-	426,182	426,182
	1,214,729		1,274,198	1,274,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

31.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Australian Dollar (AUD), Swiss Franc (CHF), Kuwait Dinar (KWD), Euro (EUR) and US Dollar (USD).

Exposure to foreign currency risk

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:

2016	AUD RM'000	CHF RM'000	KWD RM'000	EUR RM'000	USD RM'000
Deposits with licensed banks	14,515	-	4,040	-	82,017
Trade and other receivables	1,998	-	11,532	-	38,351
Loans and borrowings	(2,080,920)	-	-	-	(347,216)
Trade and other payables	(560)	(6,399)	-	(383)	(1,619)
Net exposure	(2,064,967)	(6,399)	15,572	(383)	(228,467)
2015					
Deposits with licensed banks	32,755	-	17,272	18,415	87,731
Trade and other receivables	263	-	1,003	-	1,816
Loans and borrowings	(2,042,625)	-	-	-	(351,638)
Trade and other payables	(108)	(5,034)	-	(3,389)	(4,798)
Net exposure	(2,009,715)	(5,034)	18,275	15,026	(266,889)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6 Market risk (continued)

31.6.1 Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have functional currencies other than Ringgit Malaysia. A 10% (2015: 10%) strengthening of the RM 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.

Group	Profit or loss 2016 RM'000	Profit or loss 2015 RM'000
AUD	156,938	150,729
CHF	486	378
KWD	(1,183)	(1,371)
EUR	29	(1,127)
USD	17,364	20,017
	173,634	168,626

A 10% (2015: 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.

31.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

In managing interest rate risk, the Group maintains a balanced portfolio consisting mainly fixed instruments. All interest rate exposures are monitored and managed proactively by the Group's management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6 Market risk (continued)

31.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amounts at the end of the reporting period was:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed rate instruments				
- Financial assets	4,410,603	3,482,587	312,354	304,755
- Financial liabilities	(16,238,777)	(16,081,613)	-	-
Floating rate instruments				
- Financial liabilities	(1,298,071)	(1,265,995)	-	-

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bps") in interest rates at the end of the reporting period would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss		Equity	
	100 bps increases RM'000	**100 bps decreases RM'000**	**100 bps increases RM'000**	**100 bps decreases RM'000**
2016				
Floating rate instruments	12,980	(12,980)	-	-
Interest rate swaps	-	-	106,631	(101,085)
Cross currency swaps	-	-	115,744	(115,744)
Cash flow sensitivity (net)	12,980	(12,980)	222,375	(216,829)
2015				
Floating rate instruments	12,660	(12,660)	-	-
Interest rate swaps	-	-	65,908	(74,291)
Cross currency swaps	-	-	126,487	(126,487)
Cash flow sensitivity (net)	12,660	(12,660)	192,395	(200,778)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.7 Hedging activities

31.7.1 Cash flow hedge

The Group has entered into various interest rate swaps ("IRS") and cross currency swaps ("CCS") in order to hedge the interest rate risk and foreign exchange risk in relation to the variability in cash flows on the floating rate RM and USD loans of RM967,604,587 (75% of Junior Tranche Loan), RM525,000,000 (75% of Senior Tranche Loan), USD400,000,000 (100% of USD Loan) and AUD517,644,989 loan.

For the IRS and CCS held by a subsidiary in Malaysia, the notional amount of the various swaps start with RM96,953,206 and thereafter as per schedule for Junior IRS, RM44,273,673 and thereafter as per schedule for Senior IRS and USD33,752,607 and thereafter as per schedule for CCS. The IRS and CCS were entered into for a period of 5 years for Junior IRS, 12 years for Senior IRS and 15 years for CCS.

For the IRS held by a subsidiary in Australia, the Group has IRS with a notional value of AUD464 million. The IRS were entered into for a period of 10 to 17 years tenor.

The following table indicates the periods in which the cash flows associated with the IRS and CCS are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2016						
Financial asset						
Cross currency swaps	670,796	65,721	(11,637)	(1,400)	23,601	55,157
Financial liability						
Interest rate swaps	(185,092)	(312,526)	(55,244)	(48,315)	(109,112)	(99,855)
2015						
Financial asset						
Cross currency swaps	509,010	28,451	(20,664)	(8,964)	5,945	52,134
Financial liability						
Interest rate swaps	(181,621)	(310,923)	(45,551)	(47,469)	(111,929)	(105,974)

During the financial year, a gain of RM15,631,000 (2015: loss of RM31,085,000) was recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.7 Hedging activities (continued)

31.7.1 Cash flow hedge (continued)

Ineffectiveness gain amounting to RM16,962,000 (2015: RM8,527,000) was recognised in profit or loss during the financial year in respect of the hedge.

Sensitivity analysis

Fair value sensitivity analysis

A change of 10% strengthening/weakening of the USD at the end of the reporting period would have increased/(decreased) equity by the amount shown below:

	Equity	
	10% strengthening of USD RM'000	**10% weakening of USD RM'000**
2016		
Cross currency swaps	206,247	(206,247)
Fair value sensitivity (net)	206,247	(206,247)
2015		
Cross currency swaps	188,678	(188,678)
Fair value sensitivity (net)	188,678	(188,678)

31.8 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature 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 statements of financial position.

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.8 Fair value information (continued)

2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
Non-current										
Financial assets										
Derivative financial assets:										
Cross currency swaps	-	670,796	-	670,796	-	-	-	-	670,796	670,796
Finance lease receivable	-	-	-	-	-	-	2,264,999	2,264,999	2,264,999	2,264,999
	-	670,796	-	670,796	-	-	2,264,999	2,264,999	2,935,795	2,935,795
Financial liabilities										
Derivative financial liabilities:										
Interest rate swaps	-	(153,681)	-	(153,681)	-	-	-	-	(153,681)	(153,681)
Loans and borrowings										
(secured):										
AUD term loan 1	-	-	-	-	-	-	(467,524)	(467,524)	(467,524)	(453,320)
AUD term loan 2	-	-	-	-	-	-	(1,685,552)	(1,685,552)	(1,685,552)	(1,597,680)
RM term loan	-	-	-	-	-	-	(7,424)	(7,424)	(7,424)	(6,946)
Sukuk Ijarah medium term notes	-	-	-	-	-	(4,054,293)	-	(4,054,293)	(4,054,293)	(3,662,891)
Sukuk medium term notes	-	-	-	-	-	(4,427,422)	-	(4,427,422)	(4,427,422)	(3,921,702)
Sukuk Wakalah	-	-	-	-	-	(287,145)	-	(287,145)	(287,145)	(290,000)
Senior Sukuk Murabahah	-	-	-	-	-	(3,295,577)	-	(3,295,577)	(3,295,577)	(3,205,000)
Senior RM term loan	-	-	-	-	-	-	(685,322)	(685,322)	(685,322)	(653,310)
Senior USD term loan	-	-	-	-	-	-	(1,794,787)	(1,794,787)	(1,794,787)	(1,743,080)
(unsecured):										
Subordinated loan notes	-	-	-	-	-	-	(111,296)	(111,296)	(111,296)	(92,500)
	-	(153,681)	-	(153,681)	-	(12,064,437)	(4,751,905)	(16,816,342)	(16,970,023)	(15,780,110)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.8 Fair value information (continued)

2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
Non-current										
Financial assets										
Derivative financial assets:										
Cross currency swaps	-	509,010	-	509,010	-	-	-	-	509,010	509,010
Finance lease receivable	-	-	-	-	-	-	2,197,169	2,197,169	2,197,169	2,197,169
	-	509,010	-	509,010	-	-	2,197,169	2,197,169	2,706,179	2,706,179
Financial liabilities										
Derivative financial liabilities:										
Interest rate swaps	-	(152,497)	-	(152,497)	-	-	-	-	(152,497)	(152,497)
Loans and borrowings										
(secured):										
AUD term loan 2	-	-	-	-	-	-	(1,579,559)	(1,579,559)	(1,579,559)	(1,578,690)
RM term loan	-	-	-	-	-	-	(12,912)	(12,912)	(12,912)	(12,081)
Sukuk Ijarah medium term notes	-	-	-	-	-	(3,998,686)	-	(3,998,686)	(3,998,686)	(3,620,590)
Sukuk medium term notes	-	-	-	-	-	(4,367,140)	-	(4,367,140)	(4,367,140)	(3,855,385)
Sukuk Wakalah	-	-	-	-	-	(339,384)	-	(339,384)	(339,384)	(345,000)
Senior Sukuk Murabahah	-	-	-	-	-	(3,280,130)	-	(3,280,130)	(3,280,130)	(3,290,000)
Senior RM term loan	-	-	-	-	-	-	(681,550)	(681,550)	(681,550)	(647,000)
Senior USD term loan	-	-	-	-	-	-	(1,629,813)	(1,629,813)	(1,629,813)	(1,587,369)
USD term loan	-	-	-	-	-	-	(341,954)	(341,954)	(341,954)	(332,317)
Balance carried forward	-	(152,497)	-	(152,497)	-	(11,985,340)	(4,245,788)	(16,231,128)	(16,383,625)	(15,420,929)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.8 Fair value information (continued)

2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
Non-current										
Balance brought forward	-	(152,497)	-	(152,497)	-	(11,985,340)	(4,245,788)	(16,231,128)	(16,383,625)	(15,420,929)
Financial liabilities										
Loans and borrowings (unsecured):										
Junior EBL term loan	-	-	-	-	-	-	(1,256,546)	(1,256,546)	(1,256,546)	(1,251,635)
Subordinated loan notes	-	-	-	-	-	-	(98,722)	(98,722)	(98,722)	(104,500)
	-	-	-	-	-	-	(1,355,268)	(1,355,268)	(1,355,268)	(1,356,135)
	-	(152,497)	-	(152,497)	-	(11,985,340)	(5,601,056)	(17,586,396)	(17,738,893)	(16,777,064)

Level 2 fair value

Derivatives

The IRS and CCS instruments held by the subsidiary in Malaysia are not actively traded therefore market-based prices are not readily available. The fair values of the instruments are calculated based on the present value of future principal and interest cash flows. The spot rates, forward rates and foreign exchange rates used to calculate present value are directly observable from the market.

For the IRS held by the subsidiary in Australia, the fair value of IRS are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account of the credit risk of the certain subsidiaries and counterparties where appropriate.

Non-derivative financial liabilities

Fair value of the long term borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.8 Fair value information (continued)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease receivable	Discounted cash flows using a rate based on current market rate of borrowing of a subsidiary
Loans and borrowings	Discounted cash flows using applicable and prevailing rates at the reporting date

Valuation process applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and to safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants.

32.1 The Company debt-to-equity ratio is applied to the following loans and borrowings:

a) Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")
b) Junior EBL term loan for Tanjung Bin Energy Issuer Berhad ("TBEI")

For the Sukuk medium term notes issued by MPB, the Company is required to maintain an aggregated debt-to-equity ratio of the Company of not more than 1:1.

For the Junior EBL term loan for TBEI, the Company is required to maintain an aggregated debt-to-equity ratio of the Company of not more than 1.25:1.

The following shows the debt-to-equity ratios as at the end of the financial years:

	2016	2015
Company debt-to-equity ratio	0.70:1	0.72:1

32. CAPITAL MANAGEMENT (CONTINUED)

32.1 The Company debt-to-equity ratio is applied to the following loans and borrowings: (continued)

c) USD term loan for Malakoff International Limited ("MIL")
d) AUD term loan 1 for MIL

For the USD term loan obtained by MIL, the Company is required to maintain its debt-to-equity ratio of the Company of not more than 1.25:1.

For the AUD term loan 1 obtained by MIL, the Company is required to maintain its debt-to-equity ratio of the Company of not more than 1:1.

The following shows the debt-to-equity ratio as at the end of following years:

	2016	**2015**
Company debt-to-equity ratio	0.69:1	0.71:1

32.2 The Group debt-to-equity ratio is applied to the following loans and borrowings:

a) Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")
b) USD term loan for Malakoff International Limited ("MIL")
c) AUD term loan 1 for MIL
d) Junior EBL term loan for Tanjung Bin Energy Issuer Berhad ("TBEI")

For the Sukuk medium term notes issued by MPB and AUD term loan 1 obtained by MIL, the Group is required to maintain its debt-to-equity ratio of not more than 5.5:1.

For the USD term loan obtained by MIL and Junior EBL term loan for TBEI, the Group is required to maintain its debt-to-equity ratio of not more than 7:1.

The following shows the debt-to-equity ratio as at the end of following years:

	2016	**2015 Restated**
Group debt-to-equity ratio	3.00:1	3.08:1

33. CAPITAL COMMITMENTS

	Group		**Company**	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Plant and equipment				
Contracted but not provided for	-	657,433	-	-
Authorised but not contracted for	559,124	645,214	6,004	3,066
	559,124	1,302,647	6,004	3,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. CONTINGENCIES

Guarantees

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Guarantees - secured	519,623	464,020	169,507	238,883

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

Contingent liabilities not considered remote

Litigations

(i) Proceedings by the Public Prosecutor of Algeria against Almiyah Attilemcania SPA ("AAS")

On 4 September 2014, a joint venture of the Group, AAS, was charged in the Court of Ghazouet in the district of Tlemcen, Algeria, for an alleged breach of foreign exchange regulations concerning a sum of USD26.9 million. The Group holds an indirect effective interest of 35.7% in AAS via Tlemcen Desalination Investment Company SAS ("TDIC"), an indirect subsidiary of Malakoff International Limited.

During the financial year 2009, it was discovered that there was a considerable gap between the value of the delivered equipment received as per the invoices declared to the customs and the value of the milestone payments made by AAS to the supplier cum contractor ("Invoice Gap"). AAS wrote to the supplier cum contractor requesting for clarifications as they are responsible to resolve tax and customs issues. The Invoice Gap however was not resolved by the supplier cum contractor and the Algerian Customs then initiated investigations and thereafter a charge was brought against AAS. It was alleged that AAS had failed to repatriate a sum of USD26.9 million.

The Court had on 24 December 2014 convicted AAS and had subsequently imposed a penalty of DZD3,929,038,151(approximately RM148.3 million at the exchange rate of RM1: DZD26.5) ("Penalty"). The Group's liability arising from the Penalty, in proportion to the Group's 35.7% effective interest in AAS via TDIC, which may impact the profit of the Group, amounts to DZD1,402,666,620 (approximately RM52.9 million). The Court of appeal upheld the decision and the Penalty imposed by the Court on 2 March 2016.

Notwithstanding the decision of the Court, AAS has been advised by its solicitor, Maitre Ahcene Bouskia, an attorney admitted to the Algerian Supreme Court, that the Penalty would not be enforced until the exhaustion of all rights to appeal by AAS in respect of the proceedings.

AAS solicitor had filed an appeal to the Supreme Court on 17 June 2016. AAS had filed grounds of appeal on 9 August 2016 but the Supreme Court has not fixed any hearing date in respect of the appeal.

The Group has recognised a provision amounting to RM36,107,000 in its profit or loss during the financial year. Notwithstanding this, AAS will continue with the appeal until the exhaustion of all rights.

34. CONTINGENCIES (CONTINUED)

Contingent assets

Litigations

(i) Litigation action initiated by Tanjung Bin Power Sdn. Bhd. ("TBP") against IHI Corporation Japan, ISHI Power Sdn. Bhd. and IHI Power Systems (M) Sdn. Bhd.

TBP, a subsidiary of the Malakoff Corporation Berhad, commenced proceeding before the Malaysia High Court on 2 December 2015 against the following three (3) Defendants:

- IHI Corporation Japan ("IHI")
- ISHI Power Sdn. Bhd. ("ISHI")
- IHI Power Systems (M) Sdn. Bhd. ("IPSM")

The total amount claimed is RM782,023,406 (excluding interest and costs) under 8 different heads. TBP is seeking damages from IHI, ISHI and IPSM for breaches of the duty of care, which they individually and/or collectively owed to TBP.

The claims against the separate Defendants are made under separate heads and the amounts claimed vary. The total amount claimed, though quantified as above, is estimated and therefore subject to change.

The claims includes relief sought from the Court for TBP's loss and damage, including the costs of repairs and replacement, and economic losses such as in relation to available capacity payments and daily utilisation payments. TBP has also claimed for interest as well as costs.

The Defendants have entered appearances and their respective defenses. They have also each filed an application to strike out the actions against TBP. The matter came up for hearing of the striking out application on 22 July 2016. However, the Court adjourned the hearing to 22 August 2016 whereby the Court had dismissed Defendants' application to strike out the suit filed by TBP. The main suit is now fixed for full trial commencing from 5 December 2016. TBP proceeded with the oral opening submission on 5 December 2016.

However, the judge invited parties to consider whether, due to the voluminous documents and technical evidence relating to nature of the suit and/or claims, it will be in the best interest of parties for resolution before a technically qualified arbitrator. The judge fixed 19 January 2017 for case management whereby parties had agreed in principle to pursue via a court-mandated arbitration in respect of the liability issues. The main suit is now fixed for final case management on 16 March 2017 for parties to finalise the agreed terms of the court-mandated arbitration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 11, 14, 15 and 21.

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
i. Associates				
Interest income on unsecured subordinated loan notes	46,977	69,626	46,977	69,626
ii. Subsidiaries				
Management fees	-	-	26,101	26,491
Dividends	-	-	330,085	256,375
Interest expense on advances from a subsidiary	-	-	(59,470)	(59,472)
iii. Entities that are under control of the Government of Malaysia (a party that has direct or indirect significant influence on the Group and the Company)				
Tenaga Nasional Berhad				
Sales of capacity and energy	5,880,998	5,143,523	-	-
Purchase of electricity bulk supply	(119,112)	(113,456)	-	-
Petroliam Nasional Berhad				
Purchase of gas	(529,921)	(627,329)	-	-
Petronas Dagangan Berhad				
Purchase of diesel	(933)	(3,999)	-	-
TNB Fuel Services Sdn. Bhd.				
Purchase of coal	(1,927,065)	(1,491,447)	-	-
Purchase of diesel	(316)	(1,607)	-	-
Financial institutions and other corporations				
Interest income	114,607	88,174	7,047	13,001
Interest expense	-	(18,526)	-	(18,526)
Energy Commission				
CESS fund contribution	(29,088)	(35,946)	-	-

35. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
iv. Key management personnel				
Directors				
- Salary	1,000	-	1,000	-
- Fees	1,165	1,163	1,165	1,163
- Meeting allowances	485	412	484	410
- Other allowances	282	135	282	135
- Other emoluments	1,433	1,296	458	346
- Estimated monetary value of benefit-in-kind	123	59	104	44
Total short term employee benefits	4,488	3,065	3,493	2,098

36. COMPARATIVE FIGURES

(i) Explanation of prior years adjustments on an associate

During the financial year, the Group's associate, Lekir Bulk Terminal Sdn. Bhd. ("LBT"), a 20% owned associate of Tuah Utama Sdn. Bhd., which in turn is a wholly owned subsidiary of the Company, has reassessed the recognition of facility payment charged to its customer and concluded that there had been over-recognition of revenue in the previous years. As a result thereof, LBT has restated its deferred income, deferred tax liabilities/assets and retained earnings balances in prior year, retrospectively. Accordingly, the Group has restated the carrying amount of investment in associates and the retained profits.

(ii) Deferred tax reclassification

During the financial year, the Group reclassified its deferred tax assets to set-off against deferred tax liabilities and to conform to the current financial year presentation. There are no impact on the profit or loss or retained earnings on this reclassification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. COMPARATIVE FIGURES (CONTINUED)

(ii) Deferred tax reclassification (continued)

These are now applied retrospectively and the effects are as follows:

Statements of financial position as at 31 December 2015

Group	31.12.2015 As previously stated RM'000	31.12.2015 As restated RM'000	1.1.2015 As previously stated RM'000	1.1.2015 As restated RM'000
Investment in associates	1,179,323	1,140,887	1,203,319	1,165,732
(Retained profits)/ Accumulated losses	(73,712)	(35,276)	28,985	66,572
Deferred tax assets	817,933	71,686	779,849	72,566
Deferred tax liabilities	(2,726,034)	(1,979,787)	(2,721,062)	(2,013,779)

Statements of profit or loss and other comprehensive income for the year ended 31 December 2015

Group	As previously stated RM'000	As restated RM'000
Share of profit of equity-accounted associates and a joint venture, net of tax	(4,253)	(5,102)
Profit before tax	702,040	701,191
Profit after tax	495,896	495,047
Profit attributable to owners of the Company	453,234	452,385
Total comprehensive income attributable to owners of the Company	429,046	428,197

37. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000 Restated**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries				
- realised	8,074,380	7,807,388	3,919,246	3,949,719
- unrealised	(883,086)	(979,233)	(1,705)	(426)
	7,191,294	6,828,155	3,917,541	3,949,293
Total share of retained earnings of associates				
- realised	215,108	122,866	-	-
- unrealised	(31,722)	(27,497)	-	-
Total share of retained earnings of joint venture				
- realised	(64,118)	(8,678)	-	-
	7,310,562	6,914,846	3,917,541	3,949,293
Less: Consolidation adjustments	(7,198,227)	(6,879,570)	-	-
Total retained earnings	112,335	35,276	3,917,541	3,949,293

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 122 to 233 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 37 on page 234 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………………………………

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail
Chairman

……………………………………………………………………………………

Datuk Wira Azhar bin Abdul Hamid
Director

Kuala Lumpur

Date: 7 March 2017

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ruswati binti Othman, the officer primarily responsible for the financial management of Malakoff Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 122 to 234 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the abovenamed Ruswati binti Othman, I/C No 600211-02-5136, in the State of Kuala Lumpur on 7 March 2017.

....

Ruswati binti Othman

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAKOFF CORPORATION BERHAD (COMPANY NO. 731568-V) (INCORPORATED IN MALAYSIA)

Opinion

We have audited the financial statements of Malakoff Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 122 to 233.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 this 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.

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 and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Goodwill and amount due from associates</th></tr>
<tr><td colspan="2">Refer to Note 2 - Significant accounting policy: Intangible assets and Note 4 and 11 – Intangible Assets and Trade and Other Receivables.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We focused on goodwill and investment in associates of the Group as the carrying amount is material and the impairment test is sensitive to a reasonably possible change in assumptions.

There is significant judgement involved in forecasting and discounting of future cash flows, which is the basis of assessment of the recoverability of goodwill and investment in associates.</td><td>We performed the following audit procedures, among others:
• We evaluated management's cash flow forecasts and the process by which they were developed. We compared these forecasts to Board approved business plans and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of the forecasting;
• We obtained confirmation that the key assumptions were subject to oversight from the Directors;
• We evaluated and challenged the following key assumptions used in the cash flows:
  • Contracted tariff – we agreed the contracted tariff used in the projections to agreed tariff as per Power Purchase Agreement (PPA's);
  • Net energy output – we compared the assumption to the forecasted demand prepared by Tenaga Nasional Berhad; and
  • Discount rate – we used our own specialist to compare the discount rate used to industry practice and external source.
• We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and investment in associates.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAKOFF CORPORATION BERHAD (COMPANY NO. 731568-V) (INCORPORATED IN MALAYSIA) (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Carrying amount of property, plant and equipment</th></tr>
<tr><td colspan="2">Refer to Note 2 - Significant accounting policy: Property, plant and equipment and Note 3 – Property, plant and equipment.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The carrying amount of power plant assets is largely dependent on the estimated residual value of each power plant at the end of the PPA period. The Group estimated the residual value based on projected cash flows derived from the use of the power plant asset or disposal value of the assets at the end of the PPA period.

Due to the inherent uncertainty involved in projecting and discounting future cash flows, which are the basis of the assessment of residual value, this is one of the key judgmental areas that our audit is concentrated on.</td><td>We performed the following audit procedures, among others:
We assessed the methodologies used by the external valuers to estimate the fair value at the end of the PPA;
We evaluated the external valuer's competency, capabilities and objectivity;
We checked, on a sample basis, the accuracy and relevance of the input data provided by management to the external valuer;
We evaluated management's cash flow forecasts and the process by which they were developed. We compared these forecasts to Board approved business plans and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of the forecasting;
We obtained confirmation that the key assumptions were subject to oversight from the Directors;
We evaluated and challenged the following key assumptions used in the cash flows:
Contracted tariff – we agreed the contracted tariff used in the projections to agreed tariff as per the PPA;
Extension of PPA – we challenged this assumption by comparing against extension given to other power plant and based on our knowledge of the industry;
Net energy output – we compared the assumption to the forecasted demand prepared by Tenaga Nasional Berhad;
Discount rate – we used our own specialist to compare the discount rate used to industry practice and external source; and
Metal price – we compared against industry data from external source.
We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAKOFF CORPORATION BERHAD (COMPANY NO. 731568-V) (INCORPORATED IN MALAYSIA) (CONTINUED)

Key Audit Matters (continued)

Contingent liability and legal proceedings	
Refer to Note 2 - Significant accounting policy: Provisions and Note 34 – Contingencies and Note 12 – Deferred tax assets/(liabilities)	
The key audit matter	**How the matter was addressed in our audit**
In the normal course of business, potential exposures may arise from general legal proceedings, guarantees, and government investigations. Whether there is a liability is inherently uncertain, the amounts involved are potentially significant and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective. It is a significant area that our audit focuses on because the amounts involved are significant and the application of accounting standards to determine the amount, if any, to be provided as liability is inherently subjective.	We performed the following audit procedures, among others: • Assessment of correspondence with the Group's external counsel accompanied by discussion and formal confirmations from that counsel; • Analyzed correspondence with regulators, and monitored external sources of information; and • We also assessed whether the Group's disclosures detailing significant legal proceedings adequately disclose the potential liabilities of the Group.

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 information included in the annual report, 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 annual report 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 annual report and, in doing so, consider whether the annual report 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 the annual report, 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 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, 1965 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 ability of the Group and of the Company to continue as a going concerns, 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.

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' REPORT
TO THE MEMBERS OF MALAKOFF CORPORATION BERHAD (COMPANY NO. 731568-V) (INCORPORATED IN MALAYSIA) (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:

- 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.

- 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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 ability of the Group or of the Company to continue as going concerns. 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 going concerns.

- 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 gives a true and fair view.

- 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 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAKOFF CORPORATION BERHAD (COMPANY NO. 731568-V) (INCORPORATED IN MALAYSIA) (CONTINUED)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 37 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter(s)

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Muhammad Azman bin Che Ani
Approval Number: 2922/04/18 (J)
Chartered Accountant

7 March 2017
Petaling Jaya

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
1.	**Malakoff**				
	PN 356979 Lot 12248, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia Leasehold for a period of 99 years, expiring on 30 July 2096	Industrial land/ The land is currently tenanted by Digi Telecommunications Sdn Bhd and is used as a base transceiver station for the operation of Digi Telecommunications Sdn Bhd's cellular telephone network.	480 sq metre/ 14.5 Ha	The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.	4,400,732.96 Refer to note (2)
2.	**Malakoff**				
	Refer to note (3) Windsor Estate, Ulu Sepetang 34010 Taiping, Perak Darul Ridzuan, Malaysia Freehold	Refer to note (3)/ The lands are currently used for oil palm cultivation.	N/A/ 735.5 Ha	Nil	21,516,000.00 Refer to note (2)
3.	**Malakoff**				
	Parcel no. 2A-8-1, 2A-8-2, 2A-9-1 and 2A-9-2, Plaza Sentral Level 8 and Level 9, Block 2A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (4)	Four office units on the 8th and 9th floor of a commercial building/ Currently tenanted by Lantera Permai Sdn Bhd.	1,232 sq metre	N/A	2,768,917.20
4.	**Malakoff**				
	Parcel no. CS/3B/12-3, CS/3B/12-3A, CS/3B/12-5, CS/3B/12-6, CS/3B/12-7, CS/3B/13-3, CS/3B/13-3A, CS/3B/13-5, CS/3B/13-6 and CS/3B/13-7, Plaza Sentral Level 12 and Level 13, Block 3B, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (4)	Ten office units on the 12th and 13th floor of a commercial building/ Currently tenanted by Prasarana Malaysia Berhad.	1,986 sq metre	N/A	3,091,107.30

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
5.	**SEV**				
	HSD 29841 PT 6325, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia Leasehold for a period of 99 years, expiring on 12 January 2094	Industrial land/The land is currently used for the SEV Power Plant, which includes an administration building, a single-storey simulator training building, a single-storey clubhouse, a guard house, a gas turbine building, a steam turbine building, a fuel oil tank farm, a warehouse and a black start diesel generator building.	26,787 sq metre/ 148,400 sq metre	The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.	Refer to notes (2) and (5)
6.	**GB3**				
	HSD 29843 PT 6327, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia Leasehold for a period of 99 years, expiring on 12 January 2094	Industrial land/The land is currently used for the GB3 Power Plant which includes an administration building, ten units of cooling tower, workshop building and a gas and steam turbine building.	12,384 sq metre/ 111,600 sq metre	The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.	Refer to notes (2) and (5)
7.	**GB3**				
	HSD 29845 PT 6329, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia Leasehold for a period of 99 years, expiring on 12 January 2094	Industrial land/The land is currently used for the Lumut Power Plant, which includes the PETRONAS gas metering equipment station. It also has the interconnection facilities such as gas pipelines and venting equipment to supply gas to the Lumut Power Plant.	N/A/ 12,100 sq metre	The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.	Refer to notes (2) and (5)

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
8.	**GB3** PN 356978 Lot 12247, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia GB3 Sdn Bhd, Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia Leasehold for a period of 99 years, expiring on 30 July 2096	Industrial land/The land is currently used for storage of diesel tanks and erected with a chemical storage building and a fuel oil pump station used by the GB3 Power Plant.	1,095 sq metre/1.69 Ha	The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.	375,000.00 Refer to note (2)
9.	**PD Power** GRN 237771 Lot 13409, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Commercial or industrial land for power plant/The land is currently used for the Port Dickson Power Plant which includes a building to house four units of gas turbine, a fuel oil tank farm, a warehouse and a black start diesel generator.	5,560 sq metre/ 94,210 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
10.	**PD Power** GRN 237773 Lot 13411, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Commercial or industrial land for electrical substation/The land is currently used for TNB switch yard and transmission for interconnection facilities.	N/A/ 5,459 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
11.	**PD Power** GRN 237774 Lot 13412, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for office building/ The land is currently used for double-storey administration office building for the Port Dickson Power Plant.	510 sq metre/ 4,654 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
12.	**PD Power** GRN 237776 Lot 13415, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Commercial or industrial land for gas station/ The land is currently used for PETRONAS gas metering equipment station and interconnection facilities.	N/A/ 7,392 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
13.	**PD Power** GRN 237768 Lot 13406, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for residential/ Vacant land.	N/A/ 1,684 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
14.	**PD Power** GRN 237769 Lot 13407, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for residential/ Vacant land.	N/A/ 6,143 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
15.	**PD Power** GRN 237770 Lot 13408, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Agriculture land/ Vacant land and pond.	N/A/ 6.641 Ha	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
16.	**PD Power** GRN 237775 Lot 13414, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for kids playground/ The land is currently used for public children playground.	N/A/ 5,345 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
17.	**PD Power** GRN 237777 Lot 13416, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for residential/ The land is currently used for single-storey guard house building for the Port Dickson Power Plant.	42 sq metre/ 3,225 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
18.	**PD Power** HSD 21135 Lot 484, Mukim and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for multipurpose hall/ The land is currently used for multipurpose public hall.	760 sq metre/ 0.554 Ha	Nil	Refer to note (6)
19.	**PD Power** HSD 21134 Lot 483, Mukim and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for recreational field/ The land is currently used for public football field and multipurpose court.	N/A/ 1.897 Ha	Nil	Refer to note (6)

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
20.	**PD Power** 23 parcels of land held under GRN 35822 Lot 6976 to GRN 35830 Lot 6984, GRN 35832 Lot 6986 to GRN 35837 Lot 6991 and GRN 35884 Lot 7041 to GRN 35891 Lot 7048, all located at Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia No. 1 to 9, No. 11 to 16, No. 117 to 124, Jalan Tun Sambanthan, Taman NLFCS, Tg. Gemuk, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building lands for low cost residential/The land is currently erected with 23 units of low cost houses which are currently vacant.	65 sq metre for each house/ 111 sq metre for each lot	Nil	Nil
21.	**TJSB** Parcel no. CS/3B/13A-3, CS/3B/13A-4, CS/3B/13A-5, CS/3B/13A-6 and CS/3B/13A-7, Plaza Sentral Level 13A, Block 3B, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (7)	Five office units on the 13Ath floor of a commercial building/ Currently tenanted by Alpha Perisai Sdn Bhd.	975 sq metre/ N/A	N/A	1,169,144.83
22.	**M Utilities** Level no. Minus 9M, Building No. 4, Plaza Sentral Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (9)	The underground level of a commercial building/ Currently used for centralised chilled water plant system for Plaza Sentral.	2,507 sq metre/ N/A	N/A	Refer to note (8)
23.	**M Utilities** Level no. 0M, Building No. 4, Plaza Sentral Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (9)	The ground level of a commercial building/ Currently used for centralised chilled water plant system for Plaza Sentral and maintenance office.	970 sq metre/ N/A	N/A	Refer to note (8)

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Built-up area/ Land area	Restriction in interest/ encumbrances	Net book value as at 31 December 2016 RM
24.	**M Utilities** Level no. 5.4M and 4.7M, Building No. 4, Plaza Sentral Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (9)	The lower ground level of a commercial building/ Currently used as Malakoff's training centre.	983 sq metre/ N/A	N/A	Refer to note (8)
25.	**M Utilities** Level Minus 6.5M, Building No. 4, Plaza Sentral Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia Freehold Refer to note (9)	The underground level of a commercial building/ Currently used as the central control room and centralised chilled water plant system plant room.	2,272 sq metre/ N/A	N/A	Refer to note (8)
26.	**DKSB** HSD 30118 PT 34621, Mukim of Sitiawan, Perak Darul Ridzuan, Malaysia Near Jalan Teluk Rubiah, 32040 Seri Manjung, Perak, Malaysia Leasehold for a period of 99 years, expiring on 17 January 2109	Building land for residential/ Vacant land.	N/A/ 11,684 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (10)
27.	**MWF (T Co Pty Ltd) and WMPL as trustee for Wind Macarthur Trust** Volume 11427 Folio 798 Lot 1, part 1886 Macarthur-Hawkesdale Road, Macarthur, Victoria, Australia Freehold	The substation land is currently used for the operation and maintenance of the Macarthur Wind Farm.	Approximately 2.25 Ha / 3.37 Ha	N/A	Refer to note (11)

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

Notes:

(1) These industrial lands are occupied by third-parties.

(2) Excluding buildings and fixtures on the land.

(3) Malakoff is the registered proprietor of 37 parcels of land ("Windsor Lands") which are collectively known as the Windsor Estate. The Windsor Estate is currently tenanted by Tradewinds Plantech Sdn Bhd commencing from 1 February 2016 until 31 January 2017. Pending execution of new supplemental agreement, Among the 37 parcels of Windsor Lands, the following 34 parcels of the said lands are used as agricultural land for commercial planting – oil palm, which are consistent with the express conditions in their respective issue document of title:

No.	***Land titles no.***
i.	*GM 297 Lot 4615, GM 7229 Lot 4309, GRN 49012 Lot 5408, GRN 53898 Lot 5538, GRN 53899 Lot 5539, GRN 59198 Lot 2665, GRN 59203 Lot 446, GRN 66379 Lot 4136 and GRN 66619 Lot 2790* *All lands are located at Mukim of Batu Kurau, Districts of Larut and Matang, Perak Darul Ridzuan, Malaysia*
ii.	*GM 445 Lot 315, GM 446 Lot 332, GM 448 Lot 317, GM 451 Lot 316, GM 454 Lot 364, GM 459 Lot 359, GM 460 Lot 361, GM 507 Lot 421, GM 511 Lot 437, GM 512 Lot 440, GM 516 Lot 473, GM 517 Lot 474, GM 518 Lot 475, GM 519 Lot 476, GM 520 Lot 477, GM 521 Lot 480, GM 522 Lot 481, GM 523 Lot 490, GM 549 Lot 629, GRN 45878 Lot 462, GRN 45879 Lot 690, GRN 45880 Lot 691, GRN 60574 Lot 504, GRN 62453 Lot 502 and GRN 65982 Lot 408* *All lands are located at Mukim of Kamunting, Districts of Larut and Matang, Perak Darul Ridzuan, Malaysia*

Pursuant to a letter dated 18 December 2013 issued by Pejabat Pengarah Tanah dan Galian Negeri Perak to Pejabat Daerah dan Tanah Larut, Matang dan Selama, the remaining three parcels of Windsor Lands are subject to government compulsory acquisition ("Said Windsor Lands"). The Said Windsor Lands are currently pending completion of government compulsory acquisition. As such, the express condition of the Said Windsor Lands has yet to be reflected in their respective issue document of title to reflect the existing use of the Said Windsor Lands. Further details of the Said Windsor Lands are as follows:

No.	***Land titles no.***	***Description of property/Existing express condition***
i.	*GRN 49011 Lot 5407 and GRN 59202 Lot 2825* *Both lands are located at Mukim of Batu Kurau, Districts of Larut and Matang, Perak Darul Ridzuan, Malaysia*	*Agricultural land for agricultural purposes*
ii.	*GRN 48916 Lot 505, Mukim of Kamunting, District of Larut and Matang, Perak Darul Ridzuwan, Malaysia*	*Agricultural land for commercial planting - rubber*

(4) Pursuant to the sale and purchase agreements dated 3 December 1999 and 21 June 2005 between Kuala Lumpur Sentral Sdn Bhd and Malakoff, respectively, the parcels identified above are held under the master title GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur and currently pending issuance of strata titles.

(5) The NBV as at 31 December 2016 of the properties under item no. 5 to item no. 7 is RM5,572,000.00. The respective properties were not audited on an individual basis.

(6) The NBV as at 31 December 2016 of the properties under item no. 9 to item no. 19 is RM12,896,000.00. The respective properties were not audited on an individual basis.

(7) Pursuant to the sale and purchase agreement dated 17 December 1996 between Kuala Lumpur Sentral Sdn Bhd and TJSB, the parcel identified above is held under the master title GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur and currently pending issuance of strata titles.

(8) The NBV as at 31 December 2016 of the properties under item no. 22 to item no. 25 is RM1,842,084.00. The respective properties were not audited on an individual basis.

(9) Pursuant to the sale and purchase agreement dated 14 April 2005 between Kuala Lumpur Sentral Sdn Bhd and M Utilities, the parcels identified above are held under the master title GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur and currently pending issuance of strata titles.

(10) The NBV of the property under item no. 26 as at 31 December 2016 is RM1.00, as the cost of the land was charged out as part of our project expense.

(11) As the Macarthur Wind Farm is arranged under a finance lease arrangement, substantially all the risks and rewards incidental to ownership of the Macarthur Wind Farm are transferred to AGL Hydro, as the operator of the Macarthur Wind Farm. As such, no carrying value is recognised in our financial statements in respect of the properties relating to the Macarthur Wind Farm.

None of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties. No valuations have been conducted on any of the properties disclosed above.

LIST OF PROPERTIES

PROPERTIES LEASED/TENANTED BY OUR GROUP

The details of material properties leased/tenanted by us are set out below:

No.	Name of lessor/lessee or landlord/ tenant or grantor/ grantee/Lot. no./ Postal address	Description of property/ Existing use	Built-up area/Land area	Tenure/ Date of expiry	Rental RM
1.	**TNB (as lessor)/PPSB (as lessee)**				
	HSD 50349 PT 10, Bandar Prai, District of Seberang Perai Tengah, Pulau Pinang, Malaysia Prai Power Plant, Prai Power Station, Jalan Perusahaan, 13600 Prai, Pulau Pinang, Malaysia	Industrial land for power station/ The land is currently used for the Prai Power Plant complex which includes turbine building, demineralisation plant, chemical lab, pump room, chlorination room, guard house, hydrogen cylinder store, H-boiler pump power station, fuel gas station, fuel oil pump house, foam station, programmable logic controller, building and electric fuel gas, inflammable material store, administration building and sheds Land sub lease approximately 2088.706 sq metre to Petroliam Nasional Berhad as per Sub Lease Agreement dated 5 July 2006.	6,954 sq metre/ 46.168 acres	A lease for a period of 24 years, expiring on 7 November 2024	Lump sum payment of 16,000,000.00
2.	**Seaport (as lessor)/TBP (as lessee)**				
	HSD 11438 PTD 1859, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for heavy industries of power station only/ The land is currently used for the Tanjung Bin Power Plant complex and other related purpose.	238,716 sq metre/ 69.963 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
3.	**Seaport (as lessor)/TBP (as lessee)**				
	HSD 10927 PTD 1773, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Building land for coal ash disposal pond/ Vacant land with mudflat area.	N/A/ 156.533 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
4.	**Seaport (as lessor)/TBP (as lessee)**				
	HSD 10924 PTD 1771, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Commercial or industrial land for permanent jetty and any structure related thereto/ The land is currently erected with a permanent jetty and the structures related thereto including conveyor belt and coal unloaders.	N/A/ 1.730 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)

LIST OF PROPERTIES

PROPERTIES LEASED/TENANTED BY OUR GROUP

No.	Name of lessor/lessee or landlord/ tenant or grantor/ grantee/Lot. no./ Postal address	Description of property/ Existing use	Built-up area/Land area	Tenure/ Date of expiry	Rental RM
5.	**Seaport (as lessor)/TBP (as lessee)** HSD 13031 PTD 2098, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for coal ash disposal pond/ The land is currently used as ash pond for the Tanjung Bin Power Plant.	N/A/ 91.024 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
6.	**Seaport (as lessor)/TBP (as lessee)** HSD 13032 PTD 2099, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for coal ash disposal pond/ The land is currently used as ash pond for the Tanjung Bin Power Plant.	N/A/ 0.597 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
7.	**Seaport (as lessor)/TBE (as lessee)** HSD 13028 PTD 2095, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for power station and other related purposes only/ The land is currently under construction to be used for the Tanjung Bin Energy Power Plant.	N/A/ 8.118 Ha	A lease for a period of 45 years, expiring on 31 January 2048 Refer to note (3)	Refer to note (1) plus a nominal value of 10.00
8.	**Seaport (as lessor)/TBE (as lessee)** HSD 13029 PTD 2096, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for coal yard/ The land is currently under construction to be used for the coal yard of the Tanjung Bin Energy Power Plant.	N/A/ 21.996 Ha	A lease for a period of 45 years, expiring on 31 January 2048 Refer to note (3)	Refer to note (1) plus a nominal value of 10.00
9.	**SWW (as lessor)/TBE (as lessee)** HSD 13393 PTD 2150, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for the petrochemical centre and the maritime industry/ The land will be used for any other contingency to the Tanjung Bin Energy Power Plant.	N/A/ 0.444 Ha	A lease commencing from 7 March 2012 to the day before the 25th anniversary of the COD of the Tanjung Bin Energy Power Plant Refer to note (4)	Nil Refer to note (4)

LIST OF PROPERTIES

PROPERTIES LEASED/TENANTED BY OUR GROUP

No.	Name of lessor/lessee or landlord/ tenant or grantor/ grantee/Lot. no./ Postal address	Description of property/ Existing use	Built-up area/Land area	Tenure/ Date of expiry	Rental RM
10.	**Lembaga Tabung Haji (as landlord)/ Malakoff (as tenant)**				
	Part of GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur, Level 7 to Level 13, Building no. 4, Plaza Sentral, Brickfields, Kuala Lumpur, Malaysia Level 7 to Level 13, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	Seven office units each on the 7th, 8th, 9th, 10th, 11th, 12th and 13th floor of a commercial building/ Currently used as office space by Malakoff.	7,854 sq metre/ N/A	A tenancy for a period of three years, expiring on 30 June 2018	507, 234.00 per month
11.	**Lembaga Tabung Haji (as landlord)/ M Utilities (as tenant)**				
	Part of GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur, Level Ground, Building no. 4, Plaza Sentral, Brickfields, Kuala Lumpur, Malaysia Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	The ground level of a commercial building/ Currently used as office space by M Utilities.	562 sq metre/ N/A	A tenancy for a period of three years, expiring on 30 June 2018	60,480.00 per month
12.	**Multiple landowners/ WMPL and Macarthur WFPL (as lessees)**				
	16 parcels of lands relating to the Macarthur Wind Farm 1850 Macarthur-Hawkesdale Road, Macarthur, Victoria 3286, Australia Refer to note (8)	Rural land with a lease granted for the operation and maintenance of the wind power equipment and additional ancillary rights of the Macarthur Wind Farm.	N/A/ 13591 acres	A lease for a period of 25 years, expiring on 1 February 2038	Refer to note (9)
13.	Alpha Perisai Sdn Bhd (as tenant)	Block 3B, Level 13A of commercial building currently used as office space by Alpha Perisai Sdn Bhd.	10,689 sq ft	A lease for a period of three years from 16 April 2016 until 15 May 2019	67,142.40 per month
14.	Prasarana Malaysia Berhad	Block 3B, level 12 of commercial building currently used as office space by Prasarana Malaysia Berhad.	10,689 sq ft	Effective date of lease from 1 July 2015 until 30 June 2017	70,547.40 per month
		Block 3B, Level 13 of commercial building currently used as office space by Prasarana Malaysia Berhad.	10,689 sq ft	Effective date of lease from 16 October 2015 until 15 September 2017	68,409.60 per month
15.	Lantera Permai Sdn Bhd	Block 2A level 8 & 9 of commercial building currently used as office space by Lantera Permai Sdn Bhd.	13,216 sq ft	Effective date of lease from 1 January 2014 until 31 December 2016	83,260.80 per month

LIST OF PROPERTIES

PROPERTIES LEASED/TENANTED BY OUR GROUP

Notes:

(1) Pursuant to the lease agreement dated 18 February 2003 and its supplemental agreements dated 1 October 2003 and 19 August 2014, respectively, between Seaport and TBP, the total rental of the lease for all four lots (and a parcel of land held under PTD 1858, which has been transferred to and registered with TNB in 2006 pursuant to the terms of the TBP PPA and is currently erected with a switchyard used for the Tanjung Bin Power Plant) is RM102,050,000.00 and has been paid by TBP in the manner as set out in the said agreements, with the final payment made on 14 March 2005 (i.e. prior to the registration of the lease). A portion of land title no. HSD 11438 PTD 1859 is sub-leased to TBE pursuant to a sub-lease agreement dated 29 February 2012 between TBP and TBE.

(2) A presentation for registration of lease in favour of TBE and creation of charge over the lease in favour of TBE's financing parties for Lot PTD 2095 and PTD 2096 have been made to the Johor Land Office on 11 February 2015. The issuance of the new document of titles to TBE have completed on 12 March 2015.

(3) Pursuant to the land lease agreement entered into between TBE and SWW dated 6 January 2016, a presentation for registration of lease in favour of TBE and creation of charge over the lease in favour of TBE's financing parties for Lot PTD 2150 have been made to the Johor Land Office on 16 February 2016. The issuance of new document of title to TBE has completed on 16 March 2016. The consideration for the lease of RM1,194,794 has been paid by TBE to SWW.

(4) WMPL is the assignee of MWMPL's 50% interest in the unincorporated joint venture which owns the Macarthur Wind Farm. MWMPL and Macarthur WFPL were the original lessees pursuant to the relevant agreement to lease entered into with the respective landowners in respect of each Uebergang Land, Officer Land and Robertson Land (each as defined below, and collectively referred to as the "Leased Lands") ("Lease Agreement"). As at the Latest Practicable Date, registrable leases have yet to be executed with each of the relevant landowners. However, under the Victorian property law, the agreements to lease give WMPL and Macarthur WFPL an equitable interest in the land subject to the relevant Lease Agreement. WMPL and Macarthur WFPL shall pay the landowners a specified annual rental calculated in accordance to the relevant rental agreements entered into with the respective landowners. Below are the details of Leased Lands:

No.	***Landowners***		***Certificate title no.***	
1.	*John Oswald Uebergang and Debbie Lynne Uebergang (the "**Uebergang Landowners**")*		*Volume 9344 Folio 311 ("**Uebergang Land**")*	
	The Uebergang Landowners intend to subdivide the Uebergang Land. WMPL and Macarthur WFPL have given their consent for the Uebergang Landowners to effect the same. Under the Victorian property law, the equitable lease granted to WMPL and Macarthur WFPL on the Uebergang Land is protected against any third-party purchasers of the interest of the land.			
2.	*(i)*	*Brandon Pastoral Company Pty Ltd;*	*(i)*	*Volume 8657 Folio 557 and Volume 8067 Folio 619;*
	(ii)	*Hamish Robert Falkner Officer and Anna Jen Officer; and*	*(ii)*	*Volume 9388 Folio 101, Volume 5950 Folio 962 and Volume 10043 Folio 134; and*
	(iii)	*Hamish Robert Falkner Officer and Anna Jen Officer, Janet Officer, Marnie Fraser Officer (being the legal personal representatives of Brian Campbell Officer, deceased), (collectively known as "**Officer Landowners**")*	*(iii)*	*Volume 9715 Folio 216, (collectively known as "**Officer Land**")*
3.	*(i)*	*Atoz Pty Ltd;*	*(i)*	*Volume 9252 Folio 946, Volume 8941 Folio 283, Volume 8689 Folio 213, Volume 9604 Folio 841 and Volume 7664 Folio 185;*
	(ii)	*Ibenmouth Pty Ltd; and*	*(ii)*	*Volume 8076 Folio 341; and*
	(iii)	*Thomas Chute Robertson, (collectively known as "**Robertson Landowners**")*	*(iii)*	*Volume 8406 Folio 476, Volume 8124 Folio 653 and Volume 5313 Folio 585, (collectively known as "**Robertson Land**")*

(5) The rental amount is subject to confidentiality provisions in the respective rental agreements.

Save as disclosed above, where an application has been made to change the conditions of the land use, none of the properties disclosed above are in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations which will have a material adverse impact on our operations or the utilisation of our assets on the said properties.

LIST OF PROPERTIES

MATERIAL EQUIPMENT

The material equipment used by our operations are set out below:

Description	NBV as at 31 December 2016
	RM '000
The building, power plant and machinery of the SEV Power Plant	1,452,617
The building, power plant and machinery of the GB3 Power Plant	677,904
The building, power plant and machinery of the Prai Power Plant	519,960
The building, power plant and machinery of the TB Power Plant	5,014,821
The building, power plant and machinery of the Port Dickson Power Plant	65,000
The building, power plant and machinery of the TBE Power Plant	5,943,905
Total	13,674,207

The Macarthur Wind Farm includes infrastructure, turbines and a substation. As the Macarthur Wind Farm is arranged under a finance lease arrangement, substantially all the risks and rewards incidental to ownership of the Macarthur Wind Farm are transferred to AGL Hydro, as the operator of the Macarthur Wind Farm. As such, no carrying value is recognised in our financial statements in respect of the equipment utilised for the Macarthur Wind Farm.

Save for PD Power, the material equipment of the respective IPPs have been secured under the financing facilities taken up by the respective IPPs for purposes of the relevant construction of power plant. The financing facilities taken up by SEV and GB3 in relation to construction of the SEV and GB3 power plant have been fully repaid.

SHAREHOLDINGS STATISTICS
AS AT 23 FEBRUARY 2017

ANALYSIS OF SHAREHOLDINGS

Class of Securities	:	Ordinary shares
Issued and Paid-up Share Capital	:	RM500,000,000.00 with total number of issued shares of 5,000,000,000 ordinary shares
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	14,084

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	49	0.35	684	0.00
100 – 1,000	2,656	18.86	1,527,992	0.03
1,001 – 10,000	7,203	51.14	35,510,105	0.71
10,001 – 100,000	3,633	25.80	107,748,543	2.16
100,001 to less than 5% of issued shares	537	3.81	1,113,931,119	22.28
5% and above of issued shares	6	0.04	3,741,281,557	74.82
TOTAL	14,084	100.00	5,000,000,000	100.00

DIRECTORS' INTERESTS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

Directors' Interest in the Company

	Direct		Indirect	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Y.A.M Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail	290,000	0.01	-	-
- *Shares held through Maybank Nominees (Tempatan) Sdn Bhd*				
Datuk Wira Azhar bin Abdul Hamid	531,700	0.01	-	-
Dato' Sri Che Khalib bin Mohamad Noh	420,000	0.01	-	-
Datuk Muhamad Noor bin Hamid	321,200	0.01	-	-
Datuk Ooi Teik Huat	420,000	0.01	-	-
Datuk Idris bin Abdullah				
- *Shares held through Cimsec Nominees (Tempatan) Sdn Bhd*	290,000	0.01	-	-
Datuk Dr Syed Muhamad bin Syed Abdul Kadir	150,000	0.00	-	-
Tan Sri Dato' Seri Alauddin bin Md Sheriff	-	-	-	-
Tan Ler Chin	-	-	-	-
Dato' Wan Kamaruzaman bin Wan Ahmad	-	-	-	-
Kohei Hirao	-	-	-	-
Zalman bin Ismail (Alternate director to Dato' Wan Kamaruzaman bin Wan Ahmad)	-	-	-	-

SHAREHOLDINGS STATISTICS
AS AT 23 FEBRUARY 2017

Substantial Shareholders according to the Register of Substantial Shareholders

		Direct		Indirect	
No	**Name**	**No. of shares**	**%**	**No. of shares**	**%**
1	Anglo-Oriental (Annuities) Sdn Bhd ("AOA") (1)	981,341,460	19.63	-	-
2	MMC Corporation Berhad ("MMC")	897,695,630	17.95	981,341,460 (2)	19.63
3	Employees Provident Fund Board (3)	643,138,133	12.86	-	-
4	Lembaga Tabung Haji (4)	508,662,000	10.17	-	-
5	Kumpulan Wang Persaraan (Diperbadankan) (5)	406,444,334	8.13	-	-
6	Amanah Saham Bumiputera (6)	304,000,000	6.08	-	-
7	Seaport Terminal (Johore) Sdn Bhd ("Seaport") (7)	-	-	1,879,037,090	37.58
8	Indra Cita Sdn Bhd ("ICSB") (8)	-	-	1,879,037,090	37.58
9	Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor (9)	-	-	1,879,037,090	37.58

Notes:

(1) Of which 340,046,040 shares are held through its own account, 448,384,230 shares held through Bank Muamalat Malaysia Berhad and 192,911,190 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd.

(2) Deemed interested in 981,341,460 shares held by AOA in Malakoff by virtue of its 100% direct shareholding in AOA.

(3) Of which 643,138,133 shares are held through Citigroup Nominees (Tempatan) Sdn. Bhd.

(4) Of which 500,000,000 shares are held through its own account, 2,001,300 shares held through Cartaban Nominees (Tempatan) Sdn. Bhd., 3,966,300 shares held through Citigroup Nominees (Tempatan) Sdn Bhd., 2,195,600 shares held through Maybank Nominees (Tempatan) Sdn. Bhd. (Exempt An for Maybank Islamic Asset Management Sdn. Bhd., under omnibus account and 498,800 shares are held through CIMB Islamic Nominees (Tempatan) Sdn. Bhd.

(5) Of which 383,184,934 shares are held through its own account and 23,259,400 shares are held through various Citigroup Nominees (Tempatan) Sdn Bhd's CDS accounts.

(6) Of which 304,000,000 shares are held through Amanahraya Trustees Berhad.

(7) Deemed interested by virtue of its direct major shareholdings in MMC.

(8) Deemed interested through Seaport.

(9) Deemed interested through ICSB

SHAREHOLDINGS STATISTICS
AS AT 23 FEBRUARY 2017

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MMC CORPORATION BERHAD	897,695,630	17.95
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	643,138,133	12.86
3	LEMBAGA TABUNG HAJI	500,000,000	10.00
4	BANK MUAMALAT MALAYSIA BERHAD PLEDGED SECURITIES ACCOUNT FOR ANGLO-ORIENTAL (ANNUITIES) SDN BHD	448,384,230	8.97
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	383,184,934	7.66
6	ANGLO-ORIENTAL (ANNUITIES) SDN BHD	340,046,040	6.80
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	304,000,000	6.08
8	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) FOR ANGLO-ORIENTAL (ANNUITIES) SDN. BHD.	192,911,190	3.86
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	98,000,000	1.96
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	62,537,900	1.25
11	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	51,724,200	1.03
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	49,245,700	0.98
13	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	44,900,300	0.90
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	40,400,000	0.81
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	29,303,500	0.59
16	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	25,000,000	0.50
17	HSBC NOMINEES (ASING) SDN BHD TNTC FOR BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION	24,324,300	0.49
18	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	23,985,000	0.48
19	PERMODALAN NASIONAL BERHAD	23,473,600	0.47
20	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	21,853,300	0.44

SHAREHOLDINGS STATISTICS
AS AT 23 FEBRUARY 2017

30 Largest Shareholders (continued)

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
21	PERTUBUHAN KESELAMATAN SOSIAL	21,600,000	0.43
22	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	20,867,400	0.42
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	18,500,000	0.37
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	17,433,100	0.35
25	UOBM NOMINEES (ASING) SDN BHD BANQUE DE LUXEMBOURG FOR RAM (LUX) SYSTEMATIC FUNDS - EMERGING MARKETS EQUITIES	16,667,200	0.33
26	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	16,310,000	0.33
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	13,176,800	0.26
28	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY INCOME FUND	12,711,000	0.25
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	12,551,600	0.25
30	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	11,600,000	0.23
	TOTAL	**4,365,525,057**	**87.31**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING ("AGM") OF MEMBERS OF **MALAKOFF CORPORATION BERHAD (Company No. 731568-V) ("MCB" OR "THE COMPANY")** WILL BE HELD AT THE **MAHKOTA II, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA** ON **WEDNESDAY, 19 APRIL 2017** AT **10.30 A.M.** FOR THE PURPOSE OF CONSIDERING AND, IF THOUGHT FIT, PASSING THE FOLLOWING RESOLUTIONS:

ORDINARY BUSINESS

1. "THAT the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Report and Auditors' Report thereon be and are hereby received."

   (Please refer to Explanatory Note 1)

2. "THAT a final single-tier dividend of 3.5 sen per share for the financial year ended 31 December 2016 be and is hereby approved." **Resolution 1**

3. "THAT the following Directors who retire in accordance with Article 105 of the Company's Articles of Association be and are hereby re-elected as the Directors of the Company:-

   I Datuk Muhamad Noor bin Hamid **Resolution 2**

   II Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff **Resolution 3**

   III Datuk Ooi Teik Huat **Resolution 4**

   IV Dato' Wan Kamaruzaman bin Wan Ahmad **Resolution 5**

   (Please refer to Explanatory Note 2)

4 "THAT the payment of Directors' fees of RM1,165,403 to the Non-Executive Directors for the financial year ended 31 December 2016 be and is hereby approved." **Resolution 6**

5. "THAT the payment of Directors' remuneration (excluding Directors' fees and Board committee fees) at the capping amount of RM1,110,000 to the Non-Executive Directors from 31 January 2017 until the conclusion of the next AGM of the Company ("Relevant Period") be and is hereby approved." **Resolution 7**

   (Please refer to Explanatory Note 3)

6. "THAT Messrs. KPMG PLT, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed as Auditors of the Company until the conclusion of the next AGM, AND THAT the remuneration to be paid to them be fixed by the Board." **Resolution 8**

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

NOTICE OF BOOK CLOSURE AND NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT shareholders who are registered in the Register of Members and Record of Depositors at the close of business on 5 May 2017 shall be entitled to the final dividend which will be paid on 23 May 2017.

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 5 May 2017 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.

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD
Yeoh Soo Mei (MAICSA 7032259)
Nisham @ Abu Bakar bin Ahmad (MAICSA 7043879)
Company Secretaries

Kuala Lumpur
28 March 2017

Notes:

1. The proxy form, to be valid, must be deposited at the office of Boardroom Corporate Services (KL) Sdn Bhd at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

2. 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 at his stead. 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 shareholding to be represented by each proxy.

3. In 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 proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

4. In the case of joint holders, the signature of any one of them will suffice.

5. 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. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless it specifies the proportion of its shareholding to be represented by each proxy.

6. Only depositors whose names appear on the Record of Depositors as at 11 April 2017 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on their behalf.

7. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.

8. Registration of members/proxies attending the meeting will commence at 8.30 a.m. on the day of the meeting and shall remain open until the conclusion of the AGM or such a 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 Business:-

1. **Audited Financial Statements for the financial year ended 31 December 2016**

This Agenda item is meant for discussion only as under the provisions of Section 340(1) of the Companies Act, 2016 and the Company's Articles of Association, the audited accounts do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

2. **Re-election of Directors retiring in accordance with Article 105**

The proposed ordinary resolutions 2, 3, 4 and 5 under Agenda 3 of the Eleventh AGM are to seek the shareholders' approval on the re-election of the Directors standing for re-election in accordance with the Articles of Association of the Company. The Board, after having received their consent for re-election, recommends the re-election of the following directors for the following reasons:-

- **Datuk Muhamad Noor bin Hamid**

Datuk Muhamad Noor bin Hamid, is a mechanical engineer by training and has 30 years of direct working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting. Backed by strong technical experience and his work experience both locally and overseas, Datuk Muhamad Noor often serves as a sounding board to both the management and the Board on key technical issues faced by the Group's water and power plants including the areas of procurement where he sits as the Chairman of the Board Procurement Committee ("BPC"). Datuk Muhamad Noor is also a member of two other board committees namely, the Board Risk and Investment Committee and Board Nomination and Remuneration Committee ("BNRC").

- **Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff**

Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff is knowledgeable in areas of law and judicial and had held various posts in the judicial service since 1971. The last position held by Tan Sri Alauddin before he retired in August 2011 was the President of the Court of Appeal. The Board has benefitted from the legal insights and depths he has brought to the Board's discussion and decision. He has also provided legal opinions where necessary on the interpretation of the law concerning the business of the Group. Tan Sri Alauddin is a member of two board committees namely Board Audit Committee ("BAC") and BPC, and was the former BNRC member before making way for a restructuring exercise to optimize the size of the BNRC.

In line with the Malaysian Code on Corporate Governance 2012, the BNRC had carried out independence assessment on Tan Sri Alauddin where he had declared independence as per the criteria prescribed by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. The BNRC had, based on self-declaration of Tan Sri Alauddin that coincides with his behaviour and in the manner in which he conducts himself on the Board, satisfied that he has complied with the spirit of independence prescribed by the MMLR. His re-election will continue to bring independent and objective judgement to the Board deliberations.

- **Datuk Ooi Teik Huat**

Datuk Ooi is knowledgeable in the area of accounts and economics and has corporate finance industry experience gained through his career. Datuk Ooi is committed in ensuring that he provides constructive feedback and ideas in the Board deliberations. He also provides insightful details to the compliance and governance issues of the Company to the Board and the management. Datuk Ooi sits on two committees of the Board namely BAC and BPC, and was the former BNRC member before making way for a restructuring exercise to optimize the size of the BNRC.

- **Dato' Wan Kamaruzaman bin Wan Ahmad**

Dato' Wan Kamaruzaman is knowledgeable in the area of economics and had illustrious career both in the private and government sectors in the area of treasury where he gained invaluable exposure and experience working locally and internationally. As the Company has business presence both local and overseas, Dato' Wan Kamaruzaman has been able to provide invaluable advice to both the management and the Board on key operational issues and growth plans of the Company.

NOTICE OF ANNUAL GENERAL MEETING

3. Directors' allowances and/or benefits payable to the Non-Executive Directors ("NEDs") of the Company from 31 January 2017 until the conclusion of the next AGM

With the enforcement of Section 230(1) of Companies Act 2016 ("CA 2016") effective 31 January 2017, the listed company is required to table, amongst others, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries for the shareholders' approval at a general meeting.

The proposed ordinary resolution 7 under Agenda 5, if passed, will allow the payment of the following Directors' remuneration (excluding Directors' fees and Board committee fees) to the NEDs of the Company on a monthly basis and/or as and when incurred within the Relevant Period:-

- Allowances payable by the Company comprising meeting allowances, annual leave passage and/or annual reimbursable fee including benefits-in-kind to the Chairman.

Details of the estimated Directors' remuneration (excluding Directors' fees and Board Committee fees) for NEDs for the Relevant Period are set out below:-

Resolution 7

Directors	Meeting Allowances for Board and Board Committees (RM)	Other Allowances[1] (RM)	Benefits- in-Kind (RM)	Total (RM)
Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	56,000	25,000	172,200[2]	253,200
Dato' Sri Che Khalib bin Mohamad Noh	40,000[3]	25,000	-	65,000
Datuk Muhamad Noor bin Hamid	90,000	25,000	-	111,000
Cindy Tan Ler Chin	68,000	25,000	-	89,000
Kohei Hirao	40,000	25,000	-	65,000
Datuk Ooi Teik Huat	77,000	25,000	-	102,000
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	97,000	25,000	-	118,000
Datuk Idris bin Abdullah	97,000	25,000	-	118,000
Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff	77,000	25,000	-	102,000
Dato' Wan Kamaruzaman bin Wan Ahmad	40,000	25,000	-	65,000
Zalman bin Ismail (Alternate Director to Dato' Wan Kamaruzaman bin Wan Ahmad)	Refer to Note [4]	N/A	N/A	-
TOTAL	**682,000**	**250,000**	**172,200**	**1,104,200 (capped at 1,110,000)**

The directors' remuneration quoted above are same as those received by NEDs in the previous year.

Notes:

1 ***Other allowances to the NEDs comprising annual leave passage & annual supplemental fees***

2 ***Benefits in kind comprising company car, company driver, petrol, utilities & medical reimbursements***

3 ***Meeting allowance is shared on an equal basis between the NED and MMC Corporation Berhad (which nominated the NED on the Board).***

4 ***Meeting allowance will be paid to the alternate director in the event that he attends meetings in the absence of Dato' Wan Kamaruzaman bin Wan Ahmad.***

4. Abstention from Voting

Any of the Directors who is a shareholder of the Company shall abstain from voting on the resolution in respect of his re-election at the Eleventh AGM, and the NEDs who are shareholders of the Company will also abstain from voting on the resolutions concerning remuneration to the NEDs at the Eleventh AGM.

ADMINISTRATIVE DETAILS

ADMINISTRATIVE DETAILS FOR THE ELEVENTH ANNUAL GENERAL MEETING ("AGM") OF MALAKOFF CORPORATION BERHAD ("MALAKOFF" or "THE COMPANY") TO BE HELD AT THE MAHKOTA II, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA ("HOTEL") ON WEDNESDAY, 19 APRIL 2017 AT 10.30 A.M.

PARKING

- Parking is available at the parking bays of the Hotel. Parking fee for those attending the AGM will be borne by Malakoff. The attendees of the AGM are advised to exchange their entry tickets with exit tickets at the designated counter outside the Ballroom.

REGISTRATION

- Registration will start at 8.30 a.m. and registration counters will remain open until the conclusion of the AGM or such time as may be determined by the Chairman of the meeting.
- Please read the signage placed around the Hotel to ascertain where you should register for the AGM and join the queue accordingly.
- Please produce your original Identity Card (IC) during the registration for verification and ensure that you collect your IC thereafter. No person will be allowed to register on behalf of another person even with the original IC of that person.
- After the verification and registration, you will be given an identification tag and a food coupon (limited to one per shareholder/proxy present at the AGM regardless of the number of shareholder he/she represents). No lost food coupon or unclaimed food coupon will be replaced by the Company.
- Shareholders or proxies who are not present at the AGM are *not* entitled to the food coupon. If both the shareholder and his/her appointed proxy(ies) are present at the AGM, only one food coupon will be given to the shareholder or his/her proxy who registers first.
- No person will be allowed to enter the Ballroom without the identification tag.

REFRESHMENT

- Light refreshment will be served at Mahkota I before the commencement of the AGM.
- No person will be allowed to enter Mahkota I without the identification tag.
- There will be *no* lunch served after the AGM.

DOOR GIFT

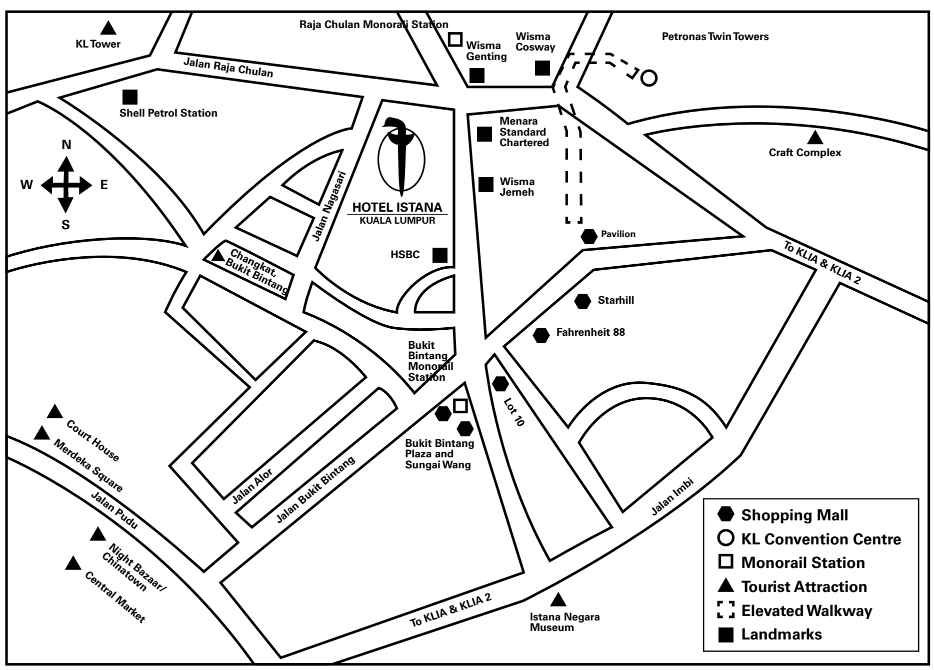
- No door gift will be distributed at the AGM.

RECORD OF DEPOSITORS FOR ATTENDANCE AT THE AGM

- Only depositors whose names appear on the Record of Depositors as at 11 April 2017 shall be entitled to attend the AGM or appoint proxy(ies) to attend and/or vote on their behalf.

VOTING PROCEDURE

- All resolutions as set out in the Notice of the 11th AGM of the Company will be put to vote by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- The Company's appointed poll administrator, Boardroom Corporate Services (KL) Sdn Bhd, will assist to conduct the poll by way of electronic voting and the independent scrutineers will verify and validate the results of the poll at the AGM.
- For proxy enquires, kindly contact Boardroom Corporate Services (KL) Sdn. Bhd. (Refer to page 9 for contact details).



Map of Hotel Istana

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PROXY FORM

MALAKOFF CORPORATION BERHAD (731568-V)

No. of Ordinary Share(s) Held	
CDS Account No.	

I/We____NRIC/PassportNo:______________________________

(Full name in block letters)

of ____Tel No: ____________________

(Address in full)

being a member/members of Malakoff Corporation Berhad, hereby appoint

	Name/NRIC No.	No. of Shares	Percentage (%)	
Proxy 1	____________________	__________	__________	and/or failing him/her
Proxy 2	____________________	__________	__________	or failing him/her,

the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at the Mahkota II, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Wednesday, 19 April 2017 at 10.30 a.m., and at any adjournments thereof, on the following resolutions referred to in the notice of the Annual General Meeting:

(Please indicate with an "X" in the space provided below on how you wish your votes are to be casted on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote or abstain from voting on the resolutions as he/they may think fit).

1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Report and Auditors' Report thereon.			
ORDINARY BUSINESS			**FOR**	**AGAINST**
2.	Declaration of final single-tier dividend of 3.5 sen per share	(Resolution 1)		
3.	Re-election of Datuk Muhamad Noor Hamid who retires in accordance with Article 105 of the Company's Articles of Association	(Resolution 2)		
4.	Re-election of Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff who retires in accordance with Article 105 of the Company's Articles of Association	(Resolution 3)		
5.	Re-election of Datuk Ooi Teik Huat who retires in accordance with Article 105 of the Company's Articles of Association	(Resolution 4)		
6.	Re-election of Dato' Wan Kamaruzaman bin Wan Ahmad who retires in accordance with Article 105 of the Company's Articles of Association	(Resolution 5)		
7.	Payment of Directors' fees of RM1,165,403 for the financial year ended 31 December 2016	(Resolution 6)		
8.	Payment of Directors' remuneration (excluding Directors' fees and Board committee fees) to the Non-Executive Directors from 31 January 2017 until the conclusion of the next annual general meeting of the Company at the capping amount of RM1,110,000	(Resolution 7)		
9.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company	(Resolution 8)		

Signed this ___________day of______________ 2017

____
Signature of member / Common Seal

Notes:

1) The proxy form, to be valid, must be deposited at the office of Boardroom Corporate Services (KL) Sdn Bhd at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
2) 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 at his stead. 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 shareholding to be represented by each proxy.
3) In 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 proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
4) In the case of joint holders, the signature of any one of them will suffice.
5) 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. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless it specifies the proportion of its shareholdings to be represented by each proxy.
6) Only depositors whose names appear on the Record of Depositors as at 11 April 2017 shall be entitled to attend the Annual General Meeting or appoint proxies to attend and/or vote on their behalf.
7) Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.
8) Registration of members/proxies attending the meeting will commence at 8.30 a.m. on the day of the meeting and shall remain open until the conclusion of the Annual General Meeting or such a time as may be determined by the Chairman of the meeting. Members/proxies are required to produce identification documents for registration.

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Malakoff Corporation Berhad
Eleventh Annual General Meeting

STAMP

To:

THE ADMINISTRATION AND POLLING AGENT
BOARDROOM CORPORATE SERVICES (KL) SDN BHD
Lot 6.05, Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.

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MALAKOFF

A Member of MMC Group

MALAKOFF CORPORATION BERHAD
(731568-V)
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