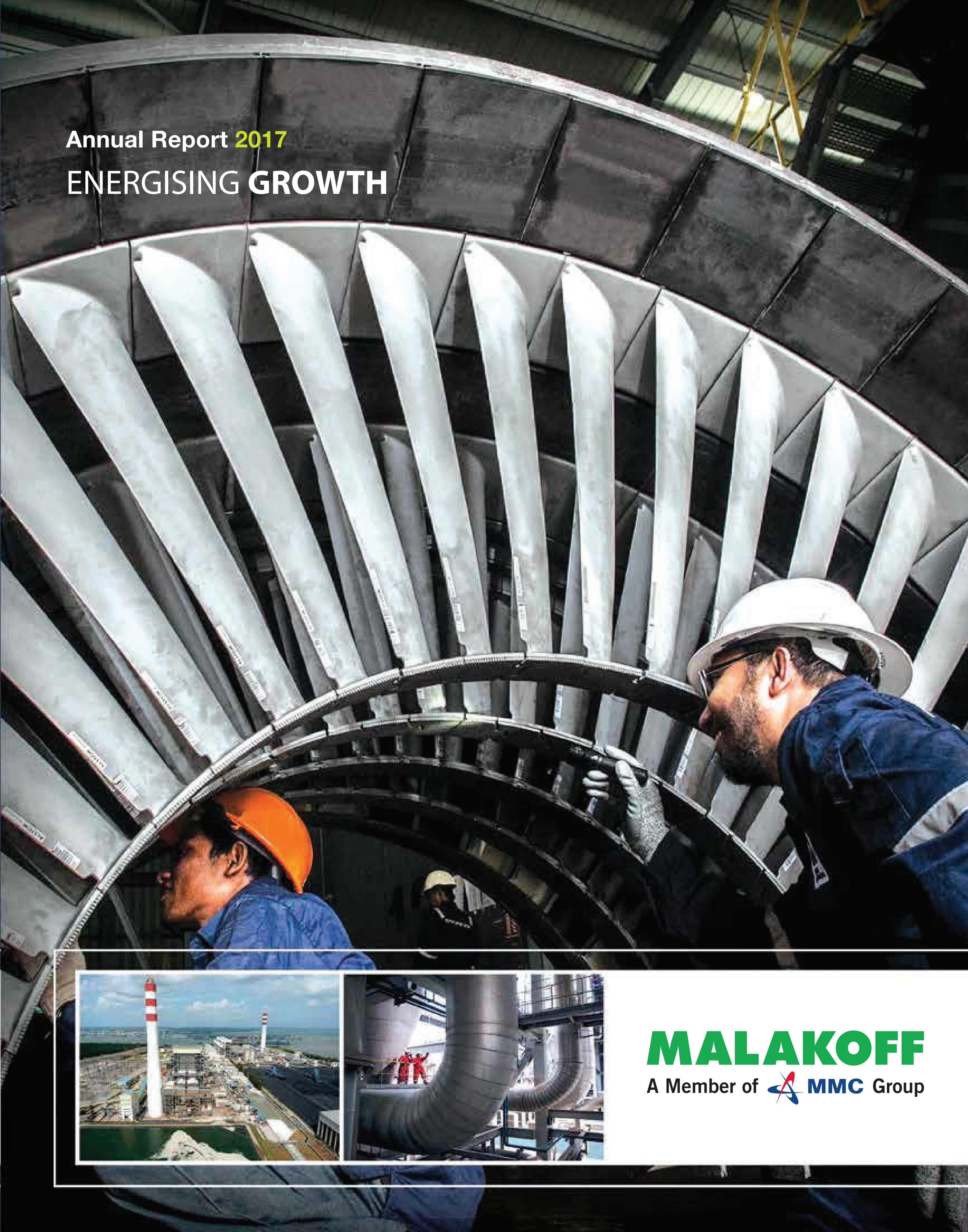
Annual Report 2017

ENERGISING **GROWTH**



MALAKOFF

A Member of MMC Group

ENERGISING GROWTH

Malakoff Corporation Berhad ("Malakoff" or "the Group") will continue to focus our efforts on building capacity and capability to meet the growing demands for energy and water. We will continuously seek strategic investment opportunities for power and water related assets, locally and internationally.

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Malakoff Corporation Berhad Annual Report 2017

12th Annual General Meeting of Malakoff Corporation Berhad

Mahkota Ballroom, Hotel Istana,
73, Jalan Raja Chulan,
50200 Kuala Lumpur.

Thursday, 26 April 2018

10.00 a.m.

LEVERAGING ON STRENGTHS

We continue to leverage on the strengths of our operational experience, prudent financial management and the skills of our people to drive our business forward.

Corporate Overview

Malakoff Corporation Berhad ("Malakoff") is an independent power and water producer based in Asia with a world-class reputation. Our core business 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.

VISION AND MISSION

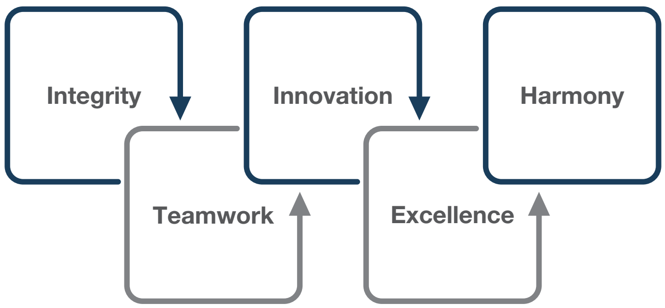
OUR VISION

To be a premier global power and water company

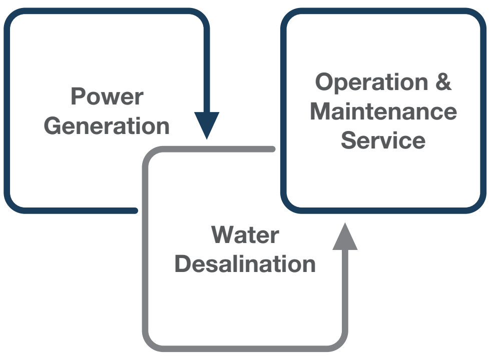
OUR MISSION

- 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

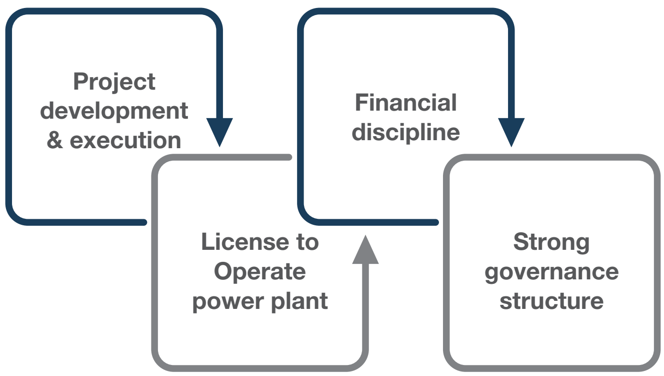
CORPORATE VALUES



CORE BUSINESS SEGMENTS



CRITICAL STRENGTH



Malakoff's Malaysian power generation assets with total effective capacity of 6,346 MW are held through a number of subsidiaries and associate companies:

SEV POWER PLANT **93.75%** equity interest in Segari Energy Ventures Sdn Bhd

GB3 POWER PLANT **75.0%** equity interest in GB3 Sdn Bhd

PRAI POWER PLANT **100.0%** equity interest via its wholly-owned subsidiary Prai Power Sdn Bhd

TANJUNG BIN POWER PLANT **90.0%** equity interest in Tanjung Bin Power Sdn Bhd

TANJUNG BIN ENERGY POWER PLANT **100.0%** equity interest in Tanjung Bin Energy Sdn Bhd

PORT DICKSON POWER PLANT **100.0%** equity interest in Port Dickson Power Berhad, via its wholly-owned subsidiary Hypergantic Sdn Bhd

KAPAR POWER PLANT **40.0%** equity interest in Kapar Energy Ventures Sdn Bhd

On the international front, we own an effective capacity of **690 MW** of power and **420,925 m^3/day** of water desalination. These projects are located in **SAUDI ARABIA, OMAN, BAHRAIN, ALGERIA** and **AUSTRALIA**.

Furthermore, Malakoff provides services through the wholly-owned subsidiary companies:

- Operation and maintenance services through wholly-owned **Malakoff Power Berhad** and **Teknik Janakuasa Sdn Bhd;**
- Electricity distribution activites 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 Sdn Bhd**, a wholly-owned subsidiary of Malakoff.

At Malakoff, we aim to work together with all stakeholders for productive partnership. 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.

Awards and Accolades

PwC MALAYSIA'S BUILDING TRUST AWARDS 2017 FINALIST

Malakoff was the Finalist for PwC Malaysia's Building Trust Awards 2017, among an elite group of 20 leading Malaysian organisations short-listed through its robust assessment and judging process. Building Trust Awards assesses how companies perform in their corporate reporting as well as how they are perceived in the eyes of their stakeholders including customers and investors.

NOSH EXCELLENCE AWARD 2017 (ENERGY FACILITY CATEGORY)

Prai Power Plant, wholly-owned by Malakoff, won the National Occupational Safety and Health ("NOSH") Excellence Award 2017 for the Energy Facility category, from the Department of Occupational Safety and Health ("DOSH"), under the Ministry of Human Resources. The prestigious NOSH Excellence Award is a recognition at the national level for individuals, media, journalists and various organisations with excellent track records in its occupational health and safety practices at the workplace.

Corporate Information

BOARD OF DIRECTORS

DATUK HAJI HASNI HARUN
Independent Non-Executive Chairman

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

CINDY TAN LER CHIN
Non-Independent Non-Executive Director

DATUK OOI TEIK HUAT
Non-Independent Non-Executive Director

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

DATUK IDRIS ABDULLAH
Independent Non-Executive Director

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

KOHEI HIRAO
Non-Independent Non-Executive Director

DATUK SERI JOHAN ABDULLAH
Non-Independent Non-Executive Director

DATUK ROZIMI REMELI
Independent Non-Executive Director

ZALMAN ISMAIL
Alternate to Dato' Wan Kamaruzaman Wan Ahmad

COMPANY SECRETARIES

Yeoh Soo Mei (MAICSA 7032259)
Sharifah Ashtura Jamalullail Syed Osman (LS 0009113)

BOARD AUDIT COMMITTEE

Chairman
Datuk Dr. Syed Muhamad Syed Abdul Kadir
Independent Non-Executive Director

Member
Datuk Idris Abdullah
Independent Non-Executive Director

Datuk Ooi Teik Huat
Non-Independent Non-Executive Director

Datuk Rozimi Remeli
Independent Non-Executive Director

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairman
Datuk Haji Hasni Harun
Independent Non-Executive Chairman

Member
Datuk Dr. Syed Muhamad Syed Abdul Kadir
Independent Non-Executive Director

Datuk Idris Abdullah
Independent Non-Executive Director

Dato' Sri Che Khalib Mohamad Noh
Non-Independent Non-Executive Director

BOARD RISK AND INVESTMENT COMMITTEE

Chairman
Datuk Idris Abdullah
Independent Non-Executive Director

Member
Datuk Dr. Syed Muhamad Syed Abdul Kadir
Independent Non-Executive Director

Cindy Tan Ler Chin
Non-Independent Non-Executive Director

BOARD PROCUREMENT COMMITTEE

Chairman
Datuk Rozimi Remeli
Independent Non-Executive Director

Member
Datuk Ooi Teik Huat
Non-Independent Non-Executive Director

Cindy Tan Ler Chin
Non-Independent Non-Executive Director

AUDITORS

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

PRINCIPAL BANKER

CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
AmBank Berhad

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

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

REGISTERED OFFICE

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

IN THE

Malakoff looks at acquiring 10 power generation sets

KUALA LUMPUR: Malakoff Corporation Bhd is currently looking at proposals to acquire more than 10 power generation assets in line with a plan to increase its power generation capacity to 10,000 megawatts by 2020.

Group Managing Director

than green field, as the company preferred to see a timely impact on its balance sheet.

"Of course, we have to do a due diligence and risk analysis (on the proposals) to see if it fits our business model, before we go into it," he told reporters after the company''s annual general

international market, including the Middle East and Australia, as well as new opportunities in Europe.

"We are also looking at some developed markets and plan to go in with partners who can add value to our existence," he added

Malakoff records higher 1Q earnings from better fuel margin

Malakoff catat 25% pertumbuhan perolehan

Malakoff sees higher pre-tax profit for 4Q16

Hasrat tunai umrah tercapai

Dua kanak-kanak penghidap tumor otak bakal ke Mekah

Tak sabar tengok Kaabah

CORPORATE

Malakoff's Prai power plant wins NOSH Excellence Award 2017

The nominees for the awards undergo vigorous audits by DOSH before they were selected

Malakoff, TNB erat silaturahim

Impian tunai umrah jadi kenyataan

Malakoff juara futsal edisi kelima

Pizan Mustapa

NEWS

Malakoff records 25% growth in revenue for 4Q

Malakoff turtle awareness event in Lumut running into 6th year

Malakoff 3Q profit rises to RM64.2m

by AFIQ AZIZ

MALAKOFF Corp Bhd's profit rose 24.5% to RM64.2 million for the third quarter of 2017 (3Q17), boosted by the higher applicable coal price, and improved revenues across the power business and independent power producer said higher applicable coal price registered by its Tanjung Bin Power Sdn Bhd and Tanjung Bin Energy Sdn Bhd helped its earnings.

"This was partly offset by lower capacity payment recorded by Segari Energy Ventures Sdn Bhd following pensation received from the settlement disputes between Tanjung Bin Power and IHI Corp Japan, as well as the higher contribution from Tanjung Bin Energy.

For the nine-month period of 2017, Malakoff recorded a RM[illegible] million profit com- Energy for the current period compared to the six months for the corresponding period.

The group's revenue rose to RM5.33 million for the year, a 21.7% increase compared to last year. "The group will continue with its strategic initiatives to achieve future sustain-

反貪會：未瞭解效益反應淡

僅7私企簽反貪宣言

Untung suku keempat Malakoff RM195.7 juta

509 asnaf terima sumbangan

昔加里去年产卵绿海龟倍增

Malakoff perluas pendapatan loji luar negara

Corporate Structure

As at 23 February 2018

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 [I]
  - **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 [I]

OTHERS

- **100%** Tuah Utama Sdn Bhd
  - **20%** Lekir Bulk Terminal Sdn Bhd
- **54%** Desa Kilat Sdn Bhd
- **100%** Malakoff R&D Sdn Bhd
- **100%** Tunas Pancar Sdn Bhd [I]

ELECTRICITY DISTRIBUTION

- **100%** Malakoff Utilities Sdn Bhd

INTERNATIONAL

- **100%** Spring Assets Limited [I]
- **100%** Malakoff Capital (L) Ltd [I]
- **100%** Malakoff International Limited ("MIL")
  - **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")
          - **11.7%** Shuaibah Expansion Project Company Limited ("SEPCO") [III]
        - **0.2%** Shuaibah Expansion Project Company Limited ("SEPCO") [III]
  - **100%** Malakoff Technical (Dhofar) Limited ("MTDL")
    - **43.48%** Oman Technical Partners Limited ("OTPL")
      - **43.48%** Salalah Power Holdings Limited ("SPHL") [IV]
  - **100%** Malakoff Oman Desalination Company Limited
    - **32.5%** Muscat City Desalination Company S.A.O.G ("MCDC") [VIII]
  - **100%** Malakoff Hidd Holding Company Limited ("MHHCL")
    - **57.14%** Malakoff Summit Hidd Holding Company Limited ("MSHHCL")
      - **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]

I Dormant

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

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

IV Malakoff's effective equity interest of 43.48% in SPHL is held via MTDL which holds a direct 43.48% equity interest in OTPL which in turn holds 100% equity interest in SPHL.

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

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

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

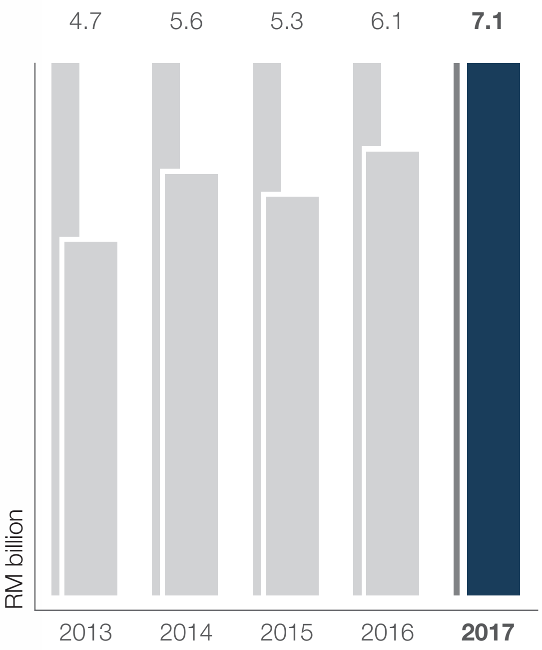
VIII MCDC is a company listed on the Muscat Securities Market since 2 January 2018.

Financial Statistics

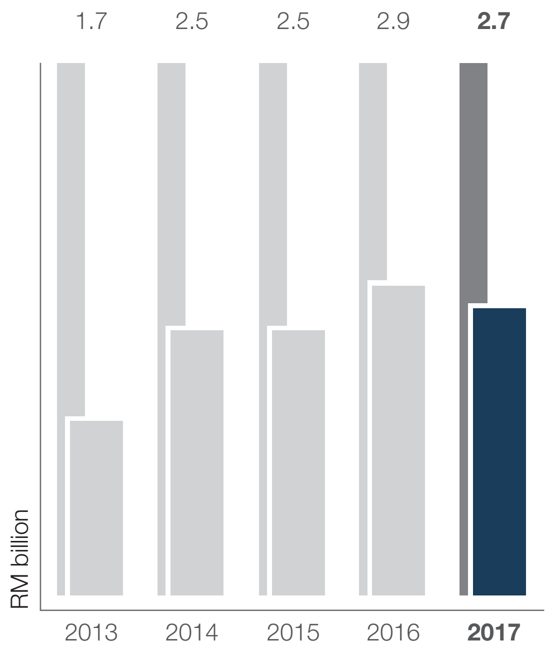
	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating Results				
Revenue	7,130,440	6,098,420	415,728	362,136
Earnings before interest, taxes, depreciation and amortisation	2,736,082	2,871,278	(286,060)	272,716
Profit/(Loss) before tax	588,526	637,541	(288,799)	263,041
Net profit/(loss) attributable to owners of the Company	309,951	355,463	(336,838)	248,458
Key Balance Sheet Items				
Property, plant and equipment	13,976,303	14,604,469	35,589	39,254
Cash and cash equivalents	2,355,529	3,006,802	388,809	320,490
Other investments (deposit placements with more than three months maturity)	2,641,829	1,403,801	–	–
Total assets	29,917,997	30,263,536	10,930,503	10,950,768
Total borrowings	15,830,981	17,536,848	–	–
Total liabilities	23,001,336	24,132,241	1,964,400	1,340,172
Share capital[1]	5,693,055	500,000	5,693,055	500,000
Retained profits	87,680	112,335	3,274,689	3,917,541
Shareholders' equity	5,891,091	5,915,712	8,966,103	9,610,596
Share Information				
Basic earnings per share (sen)[2]	6.20	7.11		
Diluted earnings per share (sen)[2]	6.20	7.11		
Dividend (sen)	6.20[3]	7.00[4]		
Net assets per share (sen)[5]	1.18	1.18		
Financial Ratios				
Return on assets (%)	1.04	1.17		
Return on equity (%)	5.26	6.01		
EBITDA margin (%)	38.37	47.08		

1 As at 31 December 2017, all amount standing to the credit of the Company's share premium and capital redemption reserves accounts have been consolidated into share capital account in accordance with section 618(2) of the Companies Act 2016.
2 Based on weighted average number of ordinary shares of 4,999,937,168 and 5,000,000,000 respectively.
3 Based on interim dividend paid of 2.5 sen and proposed final dividend of 3.7 sen for dividend payment in respect of financial year ended 31 December 2017.
4 Based on interim dividend paid of 3.5 sen and final dividend of 3.5 sen for dividend payment in respect of financial year ended 31 December 2016.
5 Based on number of ordinary shares of 4,998,175,600 and 5,000,000,000 respectively.

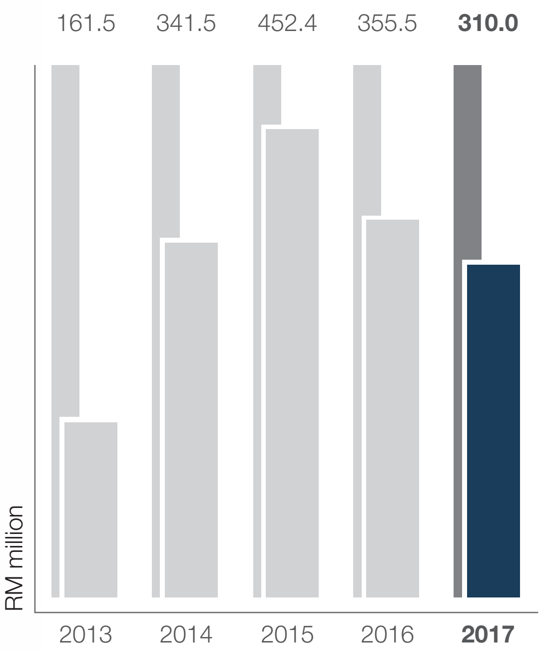
REVENUE



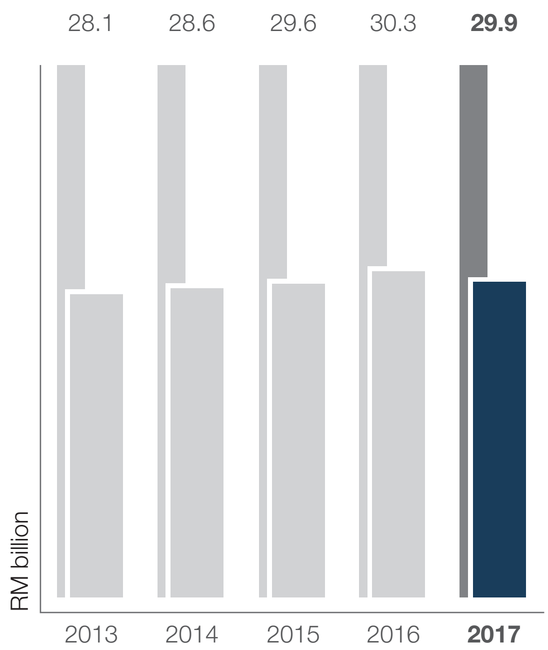
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION



PROFIT AFTER TAX AND MINORITY INTEREST

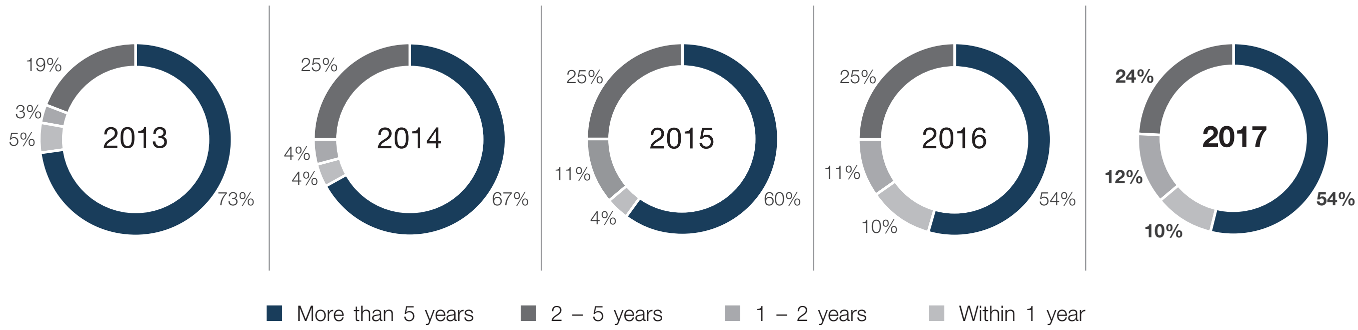


TOTAL ASSETS

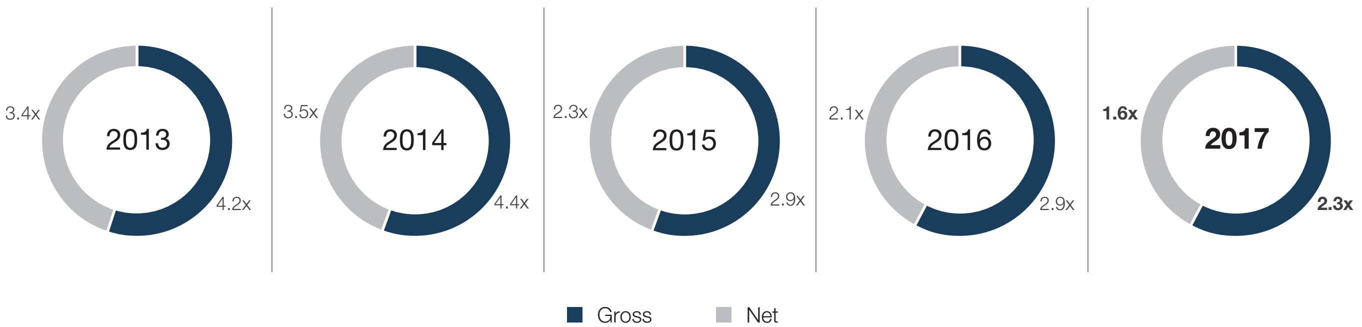


Financial Statistics

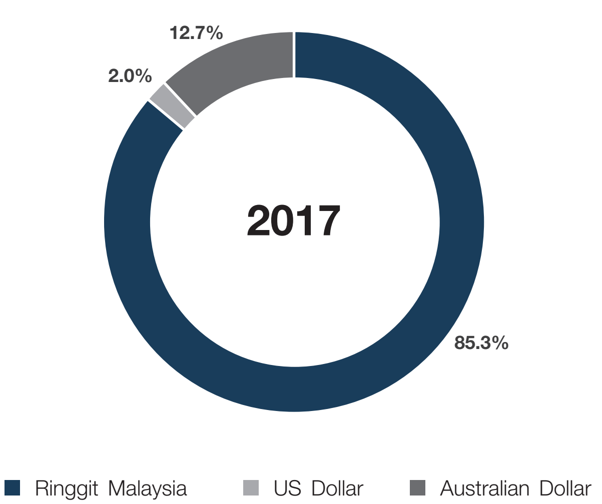
DEBT MATURITY



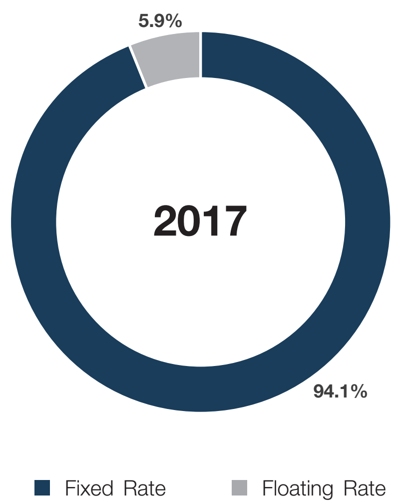
GEARING RATIO



DEBT PROFILE BY FOREIGN CURRENCY



DEBT PROFILE BY INTEREST RATE TERMS

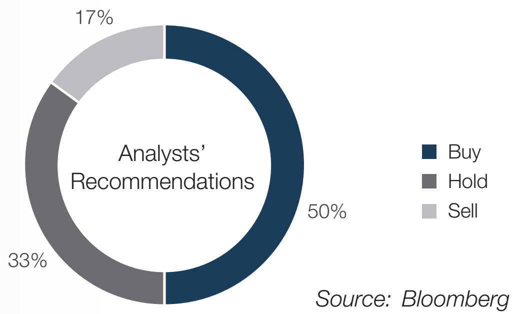


Investor Relations

Throughout 2017, Malakoff continued to actively engage with the investment community as we recognise the importance of establishing an open and interactive communication platform with our stakeholders. The Investor Relations ("IR") unit coordinates meetings, conference calls, site visits as well as management participation in investment conferences, during which information regarding the Group's operations, strategies, financial performance as well as industry trends are openly discussed. Our aim is to disseminate timely and accurate information in order to assist in their investment decisions.

In compliance with the Company's Corporate Disclosure Policy, the IR officer and at least one member of the management usually represent Malakoff during these occasions.

In financial year 2017, various IR activities were carried out to maintain our engagements with existing and potential investors. These included the Quarterly and Annual Financial results announcements, IR conferences, in-house meetings, conference calls and site visits. Details of the IR activities are summarised in the tables provided below:



Source: Bloomberg

ANALYST COVERAGE

No.	Organisation
1	Affin Hwang
2	Am Research
3	BIMB Securities
4	CIMB
5	Citibank
6	CLSA
7	Credit Suisse
8	Deutsche Bank
9	HSBC
10	JP Morgan
11	KAF Seagroatt
12	Kenanga
13	Maybank Kim Eng
14	Morgan Stanley
15	Nomura
16	Public Investment
17	RHB Research
18	TA Securities
19	UOB Kay Hian

Investor Relations Activities in 2017	Number of Events
Briefings to analysts and fund managers	4
Site visits	1
Number of investment conferences organised by financial institutions	1
Number of one-to-one meetings at conferences	4 meetings (9 attendees)
Number of company visits and conference calls	19
Luncheon with management	1

BRIEFINGS

Briefings to analysts on quarterly financial results were carried out as per the table below:

Date	Financial Results	Analyst Briefing	No. of participants
20 February	Fourth Quarter 2016	Analyst Briefing	31
23 May	First Quarter 2017	Conference Call	32
21 August	Second Quarter 2017	Conference Call	30
21 November	Third Quarter 2017	Conference Call	33

SITE VISITS

Date	Site Visited	No. of participants
15 August	Tanjung Bin Power Plant	10

CONFERENCES

Date	Event	Venue	Organiser
25-26 April	Malaysia Corporate Day	Hong Kong	Maybank Kim Eng

Malakoff is closely tracked by the investment community and as at 31 December 2017, 19 financial institutions provided coverage on Malakoff, reflecting strong interest from sell side local and foreign equity research houses.

Malakoff's corporate website, **www.malakoff.com.my**, provides an essential platform for investors and other stakeholders to access information periodically through the Investor Relations section. Any queries or concerns regarding the company can be directed to the team at **ir@malakoff.com.my**.

CREATING VALUE

We carry out our business in a socially responsible manner to create value for our stakeholders.


32
31

Board of Directors

Seated from left to right:

Datuk Haji Hasni Harun
Independent Non-Executive Chairman

Cindy Tan Ler Chin
Non-Independent Non-Executive Director

Standing from left to right:

Sharifah Ashtura Jamalullail Syed Osman
Company Secretary

Zalman Ismail
Alternate Director to Dato' Wan Kamaruzaman Wan Ahmad

Dato' Wan Kamaruzaman Wan Ahmad
Non-Independent Non-Executive Director

Datuk Idris Abdullah
Independent Non-Executive Director

Kohei Hirao
Non-Independent Non-Executive Director

Dato' Sri Che Khalib Mohamad Noh
Non-Independent Non-Executive Director

Datuk Rozimi Remeli
Independent Non-Executive Director

Datuk Dr. Syed Muhamad Syed Abdul Kadir
Independent Non-Executive Director

Datuk Ooi Teik Huat
Non-Independent Non-Executive Director

Datuk Seri Johan Abdullah
Non-Independent Non-Executive Director

Yeoh Soo Mei
Company Secretary

Board of Directors' Profile

1

DATUK HAJI HASNI HARUN

Independent Non-Executive Chairman

Datuk Haji Hasni Harun, aged 60, a Malaysian, male, was appointed to the Board of the Company as an Independent Non-Executive Chairman on 20 June 2017. He is also the Chairman of the Board Nomination and Remuneration Committee. Datuk Haji Hasni is a member of the Malaysian Institute of Accountants.

Datuk Haji Hasni holds a Masters degree in Business Administration from United States International University San Diego, California and a Bachelor of Accounting (Honours) degree from University of Malaya.

Datuk Haji Hasni held several senior positions in the Accountant General's Office from 1980 to 1994. He was the Senior General Manager of the Investment Department at the Employees Provident Fund Board from 1994 to 2001 and the Managing Director of RHB Asset Management Sdn Bhd from 2001 until 2006. He then joined DRB-HICOM Berhad as Group Chief Financial Officer until December 2006. In January 2007, he joined MMC Corporation Berhad ("MMC") as the Group Chief Operating Officer. In March 2008, he was appointed as the Chief Executive Officer of MMC, prior to his appointment as the Group Managing Director of MMC in May 2010 until June 2013.

Datuk Haji Hasni is currently the Chairman of Gas Malaysia Berhad and a Director of Permodalan Felcra Sdn Bhd.

Datuk Haji Hasni attended all four Board meetings of the Company held in the financial year ended 31 December 2017 since the date of his appointment on the Board of the Company. He does not hold any interest in the securities of the Company.

2

DATO' SRI CHE KHALIB MOHAMAD NOH

Non-Independent Non-Executive Director

Dato' Sri Che Khalib Mohamad Noh, aged 52, a Malaysian, male, 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. He is also a member of the Board Nomination and Remuneration Committee.

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 ("MMC").

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, Gas Malaysia Berhad, Johor Port Berhad, MMC Engineering Group Berhad, Aliran Ihsan Resources Berhad, Bank Muamalat Malaysia Berhad, NCB Holdings Berhad, Kontena Nasional Berhad, Northport (Malaysia) Bhd and several private limited companies.

Dato' Sri Che Khalib attended all thirteen Board meetings of the Company held in the financial year ended 31 December 2017. He holds 420,000 ordinary shares in the Company.

3

CINDY TAN LER CHIN

Non-Independent Non-Executive Director

Cindy Tan Ler Chin, aged 57, a Malaysian, female, 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 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 eleven out of thirteen Board meetings of the Company held in the financial year ended 31 December 2017. She does not hold any interest in the securities of the Company.

4

DATUK OOI TEIK HUAT

Non-Independent Non-Executive Director

Datuk Ooi Teik Huat, aged 57, a Malaysian, male, 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 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 Certified Public Accountants 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 also 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 twelve out of thirteen Board meetings of the Company held in the financial year ended 31 December 2017. He holds 420,000 ordinary shares in the Company.

Board of Directors' Profile

5

DATUK DR. SYED MUHAMAD SYED ABDUL KADIR

Independent Non-Executive Director

Datuk Dr. Syed Muhamad Syed Abdul Kadir, aged 71, a Malaysian, male, was appointed to the Board of the Company as an Independent Non-Executive Director on 11 December 2012. He is the Chairman of the Board Audit Committee and also a member of the Board Nomination and Remuneration Committee and Board Risk and Investment Committee.

Datuk Dr. Syed Muhamad graduated with a Bachelor of Arts (Hons.) from Universiti Malaya in 1971. He obtained a Masters 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-Principal Islamic Asset Management Sdn Bhd, Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad. He also sits on the Board of Directors of Euro Holdings Berhad, Solution Engineering Holdings Berhad, BSL Corporation Berhad and ACR ReTakaful Berhad and several private limited companies.

Datuk Dr. Syed Muhamad attended all thirteen Board meetings of the Company held in the financial year ended 31 December 2017. He holds 150,000 ordinary shares in the Company.

6

DATUK IDRIS ABDULLAH

Independent Non-Executive Director

Datuk Idris Abdullah, aged 60, a Malaysian, male, was appointed to the Board of the Company as an Independent Non-Executive Director on 11 December 2012. He is the Chairman of the Board Risk and Investment Committee and also a member of the Board Audit Committee and 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.

Datuk Idris is a former Commission Member of the Companies Commission of Malaysia from 2007 to 2014 and a 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 currently sits on the board of directors of NCB Holdings Berhad, DRB-HICOM Berhad, Pos Malaysia Berhad and several private limited companies.

Datuk Idris attended twelve out of thirteen Board meetings of the Company held in the financial year ended 31 December 2017. He holds 392,100 ordinary shares in the Company.

7

DATO' WAN KAMARUZAMAN WAN AHMAD

Non-Independent Non-Executive Director

Dato' Wan Kamaruzaman Wan Ahmad, aged 58, a Malaysian, male, 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 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.

Dato' Wan Kamaruzaman 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 Board member of the Minority Shareholder Watchdog Group (MSWG), and was recently appointed as the Board member for Bond and Sukuk Information Platform Sdn. Bhd. He is also a member of the Financial Stock Exchange – Environmental, Social & Governance Advisory Committee in London since September 2015, as well as the Institute of Integrity Malaysia. In addition, he is one of the corporate members of the International Corporate Governance Network (ICGN) and the Asian Corporate Governance Association (ACGA).

Dato' Wan Kamaruzaman attended nine out of thirteen Board meetings of the Company held in the financial year ended 31 December 2017. He does not hold any interest in the securities of the Company.

Board of Directors' Profile

8

KOHEI HIRAO

Non-Independent Non-Executive Director

Kohei Hirao, aged 64, a Japanese, male, was appointed to the Board as an Independent Non-Executive Director of the Company on 20 January 2016. He was re-designated as Non-Independent Non-Executive Director of the Company on 5 July 2016.

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

Kohei Hirao had 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 as 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 eleven out of thirteen Board meetings of the Company held in the financial year ended 31 December 2017. He does not hold any interest in the securities of the Company.

9

DATUK SERI JOHAN ABDULLAH

Non-Independent Non-Executive Director

Datuk Seri Johan Abdullah, aged 61, a Malaysian, male, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 29 May 2017.

Datuk Seri Johan had obtained a Master in Business Administration (Finance) from Morehead State University, USA, a Bachelor in Business Administration (Finance) from Eastern Michigan University, USA and a Diploma in Banking from Universiti Teknologi MARA, Shah Alam.

In his past experience, he served in various companies including Kuala Lumpur Stock Exchange, Listing Division (now known as Bursa Malaysia Securities Berhad) in 1987, Bumiputra Merchant Bankers Berhad, Corporate Finance in 1989 and Damansara Realty Berhad as General Manager, Corporate Planning in 1995. He then rejoined Bursa Malaysia Securities Berhad in 1999 and took up various senior positions including that of Deputy Chief Regulatory Officer, Group Regulation. He later joined BIMB Holdings Berhad as the Group Managing Director ("GMD")/Chief Executive Officer ("CEO") in May 2008 and served the group for more than six (6) years.

Datuk Seri Johan is currently the GMD and CEO of Lembaga Tabung Haji ("LTH"), a position he had held since mid-2016. Prior to his current position, he was the Deputy GMD and CEO of LTH since 2015. He is the Chairman of TH Heavy Engineering Bhd. He sits on the Board of TH Plantations Berhad and several private limited companies. He is also an alternate director in Glomac Berhad.

Datuk Seri Johan attended four out of five Board meetings of the Company held in the financial year ended 31 December 2017 since the date of his appointment on the Board of the Company. He does not hold any interest in the securities of the Company.

10

DATUK ROZIMI REMELI

Independent Non-Executive Director

Datuk Rozimi Remeli, aged 61, a Malaysian, male, was appointed to the Board of the Company as an Independent Non-Executive Director on 16 October 2017. He is also the Chairman of the Board Procurement Committee and a member of the Board Audit Committee.

Datuk Rozimi obtained a Diploma in Electrical Engineering from Universiti Teknologi Malaysia in 1979, a Bachelor in Engineering from Northorp University, USA in 1984 and a Master in Business Administration (MBA) from Universiti Sains Malaysia in 1996.

Datuk Rozimi has over 32 years of extensive leadership experience in the energy industry. He began his career with Tenaga Nasional Berhad ("TNB") since 1979, holding various positions until his retirement in January 2016. In 2006, he was appointed as a General Manager in the Asset Maintenance Department, Transmission Division. In 2007, he was promoted to Senior General Manager where he was primarily responsible for effectively managing transmission project management to ensure adherence to contractual specifications, costing and timely completion.

In 2010, he was promoted to Vice President (Transmission) where he was entrusted with the overall performance of TNB transmission business which focuses on transporting electricity, managing the division's assets and operating and maintaining the transmission network.

Datuk Rozimi also sits on the boards of Sarawak Cable Berhad and several private limited companies.

Datuk Rozimi attended all two Board meetings of the Company held in the financial year ended 31 December 2017 since the date of his appointment on the Board of the Company. He does not hold any interest in the securities of the Company.

11

ZALMAN ISMAIL

Alternate Director to Dato' Wan Kamaruzaman Wan Ahmad

Zalman Ismail, aged 46, a Malaysian, male, was appointed as the alternate director to Dato' Wan Kamaruzaman Wan Ahmad on 21 May 2013. He was a board member of the Company since 18 March 2013 until 21 May 2013 before assuming his current position on the Board as the alternate director to Dato' Wan Kamaruzaman Wan Ahmad.

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

Zalman started his career in 1995 where 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.

Zalman 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 of Sime Darby Property Berhad. He has over 22 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 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.

Zalman attended two Board meetings of the Company held in the financial year ended 31 December 2017 in the absence of Dato' Wan Kamaruzaman. He does not hold any interest in the securities of the Company.

Additional information in relation to the Board of Directors

i) None of the Directors has any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

ii) Other than traffic offences, none of the Directors has been convicted for any offences within the past five years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year under review.

Management Team

Management Committee

From left to right:

Vincent Yap Leng Khim
Senior Vice President, Corporate Services Division

Mohd Nazersham Mansor
Chief Financial Officer

Dato' Ahmad Fuaad Kenali
Chief Executive Officer

Habib Husin
Chief Operating Officer

Ruswati Othman
Chief Strategy & Investment Officer

Ex Officio

From left to right:

Yusop Abdul Rashid
Head, Corporate Affairs & Stakeholder Management Division

Jamaliah Wan Chik
Head, Human Capital Division

Mohd Shokri Daud
Senior Vice President, Local Generation Division

Azhari Sulaiman
Senior Vice President, Operations & Project Management Services Division

Management Team Profile

1

DATO' AHMAD FUAAD KENALI
Chief Executive Officer

Dato' Ahmad Fuaad Mohd Kenali, aged 47, male, a Malaysian, joined as the Chief Executive Officer of the Company on 1 October 2017.

He obtained a degree in Computerised Accountancy from the University of East Anglia, United Kingdom and a Business and Technology Education Council (BTEC) National Diploma in Business and Finance, United Kingdom. He is a fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants.

He began his career with Arthur Andersen & Co in 1994. In 2001, he left practice to take up the position of Executive Director of Finance at Petaling Garden Berhad. In 2008, he rejoined practice as a Partner/Executive Director in Ernst & Young, Kuala Lumpur and was with the firm until he joined Astro Malaysia Holdings Berhad as Chief Financial Officer from August 2010 to July 2013.

Dato' Ahmad Fuaad was the Chief Executive Officer and Executive Director of Proton Holdings Berhad ("PHB") from 1 April 2016 until 30 September 2017. Prior to his appointment in PHB, he was the Chief Operating Officer - Finance & Corporate and Chief Financial Officer of DRB-HICOM Berhad from August 2013 to March 2016.

While in DRB-HICOM, he also served as a board member of key subsidiaries such as Pos Malaysia Berhad, Bank Muamalat Malaysia Berhad, Edaran Otomobil Nasional Berhad, Horsedale Development Berhad, Glenmarie Properties Sdn Bhd and Alam Flora Sdn Bhd.

He currently sits on the boards of Tanjung Bin Energy Issuer Berhad, Tanjung Bin O&M Berhad, Malakoff Power Berhad, Port Dickson Power Berhad and several private companies under Malakoff Corporation Berhad Group.

He does not hold any interest in the securities of the Company and its subsidiaries.

2

HABIB HUSIN
Chief Operating Officer

Habib Husin, aged 57, male, a Malaysian, is the Chief Operating Officer ("COO") 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 Harvard Senior Management Development Programme in August 2004, Harvard Finance Programme in April 2005 and an Advanced Management Programme in June 2009 at 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 (Mal) 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 ("MB") as the Senior Manager, Technical Audit Department. His role was to provide consultancy services on all engineering and management matters pertaining to the operations of the Lumut Power Plant and to conduct technical and safety due diligence from time to time for new projects and proposed acquisitions. He was promoted to Assistant General Manager, Business Organisation and Technical Services in January 2000. In addition to the previous role, his scope of work was to oversee the business reorganisation and strengthening the technical services group to enable the MB group to play an effective role as an international power player.

In September 2001, he was appointed as General Manager Projects in Segari Energy Ventures Sdn Bhd ("SEV"). 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 MB 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 Executive Vice President, Operations of the Company on 3 August 2015 and subsequently redesignated to Chief Operating Officer of the Company effective 1 December 2017.

He currently sits on the board of key subsidiaries/ associate companies under Malakoff Corporation Berhad. He also sits as a Council Member in the Malaysian Gas Association and the Association of Independent Power Producer in Malaysia.

He holds 360,000 ordinary shares in the Company.

3

MOHD NAZERSHAM MANSOR
Chief Financial Officer

Mohd Nazersham Mansor, aged 44, male, a Malaysian, joined as the Chief Financial Officer of the Company on 1 December 2017.

He obtained a degree in Accounting & Finance from De Montfort University, United Kingdom and is a Fellow of the Association of Chartered Certified Accountants (FCCA), UK, and a member of Malaysian Institute of Accountants.

He began his career with KPMG, Malaysia in 1997 as an auditor and later joined MMC Corporation Berhad ("MMC Group") in the year 2000 as Group Accountant. Between 2004 and 2012, he served Sapura Group of companies and was the General Manager, Corporate Strategy & Development, his last position before he joined Petra Energy Berhad. He then assumed the position of General Manager, Finance of MMC Group from 2014 to 2016 and was previously the Chief Financial Officer for MMC Port Holdings Sdn. Bhd. He has covered the provision of accounting, financial management, taxation, treasury and corporate finance in his 20 years of experience.

He holds 16,000 ordinary shares in the Company.

4

RUSWATI OTHMAN
Chief Strategy & Investment Officer

Ruswati Othman, aged 57, female, a Malaysian, has been appointed as the Chief Strategy & Investment Officer effective 1 December 2017.

She obtained her Bachelor of Science degree in Chemistry and Master of Business Administration degree (majoring in Accounting and Finance) from University of Bradford, England, UK and University of Massachusetts, Boston, USA in 1984 and 1988 respectively. 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 Berhad/MAA Berhad in 1990. Amongst others, she was involved in the setting up of an international food chain and a highway project for the Group.

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 responsibility included managing the Group Accounts and Treasury Department and the Corporate and Project Finance Department.

She is currently leading the Corporate Strategy & Investment division – a new strategic division that has been created to drive the Company's strategies, business planning as well as investments including managing investors and the strategic information technology requirements of the Group.

She currently sits on the board of Tanjung Bin Energy Issuer Berhad and several private companies under Malakoff Corporation Berhad Group.

She holds 200,000 ordinary shares in the Company.

Management Team Profile

5

VINCENT YAP LENG KHIM
Senior Vice President
Corporate Services Division

Vincent Yap Leng Khim, aged 44, male, a Malaysian, joined as the Senior Vice President, Corporate Services Division of the Company on 1 December 2017.

He graduated from the University of Nottingham, United Kingdom, with a Bachelor of Laws (Hons) in 1996. He was called to the Bar of England and Wales and admitted as a Barrister by Lincoln's Inn, London in 1997, and was subsequently called to the Malaysian Bar and admitted as an Advocate & Solicitor of the High Court of Malaya in 1998.

Prior to joining Malakoff, he was the Adviser of Zelan Berhad where he had previously served as Director of Corporate Services from August 2011 to January 2017 and Head of Legal from May 2009 to July 2011. While in the legal profession, he was a Partner at Albar & Partners, Advocates & Solicitors, where he focused on joint ventures, mergers and acquisitions, restructurings, corporate banking, debt capital markets, structured finance and asset backed securitisation. He had previously spent a year out of legal practice and served as a Legal Counsel at OCBC Bank (Malaysia) Berhad, handling mainly corporate banking and investment banking portfolios. He has approximately 10 years of experience in legal profession and more than 8 years of experience in construction industry.

He does not hold any interest in the securities of the Company.

6

AZHARI SULAIMAN
Senior Vice President, Operations & Project Management Services Division

Azhari Sulaiman, aged 57, male, a Malaysian, holds a Bachelor of Science in Electrical & Electronic Engineering from Loughborough University of Technology, England, United Kingdom 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.

Azhari joined Malakoff in August 2014 as Chief Operating Officer of Tanjung Bin Power Sdn Bhd to oversee the construction and commissioning of Malakoff's first coal-fired power plant. On completion of the Tanjung Bin Power Plant project, he was transferred to assume the position of Vice President, Business Development. He was redesignated to Senior Vice President of Group Planning & Strategy Division in 2015. Effective December 2017, he is appointed as Senior Vice President, Operations & Project Management Services in order to strengthen the Operations and Project Management Services division.

He holds 118,000 ordinary shares in the Company.

7

MOHD SHOKRI DAUD
Senior Vice President, Local Generation Division

Ir Mohd Shokri Daud, aged 49, male, a Malaysian, holds a degree in Electrical Engineering from Northern Arizona University, Arizona, USA. He has about 24 years of experience in the Power Industry in various roles and capacities. He started in 1992 with TNB as a control and instrumentation 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 when he was 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 redesignated to Senior Vice President, Local Generation Division where he is responsible for the entire spectrum of the operations of the Malaysian assets.

He holds 90,000 ordinary shares in the Company.

8

JAMALIAH WAN CHIK
Head, Human Capital Division

Jamaliah Wan Chik, aged 57, female, a Malaysian, is the Head of Human Capital Division of the Company. She obtained her Doctor of Business Administration (DBA) from the European American University in 2009 and holds a Master of Science in Human Resource Management from University of Lincoln, UK in 2002.

She started her career in 1986 as Human Resource and Admin Executive in Buchel Vehicle (M) Sdn Bhd, a subsidiary of Lembaga Tabung Angkatan Tentera. In 1988, she joined Sime Footwear Sdn Bhd, a subsidiary of Sime Darby Berhad as Manager, Human Resource and Administration and thereafter developed her career with Heaveafil Sdn Bhd, a subsidiary of Permodalan Nasional Berhad as Manager, Corporate Human Resource and Administration in 1992.

Prior to joining Malakoff in February 2017, she was attached to Eversendai Corporation Berhad since September 2014 as Head, Human Resource and Administration. As a member of the management team, she was responsible for the high impact deliverables in full spectrum of human resource and administration function for the Group in Malaysia, Singapore, India and Middle Eastern countries

She does not hold any interest in the securities of the Company.

9

YUSOP ABDUL RASHID
Head, Corporate Affairs & Stakeholder Management Division

Yusop Abdul Rashid, aged 49, male, a Malaysian, holds a Master of Economics from International Islamic University Malaysia. Before joining Malakoff, he was an Industry Analyst at PowerGen PLC's (now known as E.ON UK) regional office in Kuala Lumpur.

Yusop joined Malakoff in January 2001 as a Technical Writer. In 2007, Yusop set up and subsequently became the first Head of Corporate Communications and Risk Management Departments. In 2013, Yusop assisted in setting up Malakoff's Internal Audit Department and subsequently became its first Head. In 2018, Yusop was appointed as Head, Corporate Affairs and Stakeholder Management Division and oversees the Group's Corporate Communications, Stakeholder Management, Risk Management, Business Process Improvement and Health, Safety, Security & Environment ("HSSE").

He does not hold any interest in the securities of the Company.

Chief Internal Auditor's Profile

MOHD HADI MOHAMED ANUAR
Chief Internal Auditor
Group Internal Audit Division

Mohd Hadi Mohamed Anuar, aged 40, male, a Malaysian, is the Chief Internal Auditor, Group Internal Audit Division of Malakoff Corporation Berhad. He obtained his Bachelor of Arts (Hons) degree in Accounting and Finance from Manchester Metropolitan University, United Kingdom. He is also currently an associate member of the Association of Certified Fraud Examiners and the Institute of Internal Auditors Malaysia (AIIA) and has 17 years of audit experience.

Prior to joining the Company in February 2016, he was the Head of Joint Venture Audit Department of PETRONAS Carigali Sdn Bhd from 2012 to 2016 and was an Audit Manager at Group Internal Audit Division of Petroliam Nasional Berhad (PETRONAS) from 2005 to 2011. During his tenure with PETRONAS, he was also assigned to KLCC Holdings Berhad to set up the Group Internal Audit Division of KLCC Group and was the acting Head of the Division for almost 2 years before returning to PETRONAS. Prior to joining PETRONAS, he was an auditor at Arthur Andersen and Ernst & Young from 2000 to 2004.

Mohd Hadi holds 42,400 ordinary shares in the Company.

Additional information in relation to the Management Committee Members and Chief Internal Auditor

i) None of the Management Committee Members and Chief Internal Auditor has any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company

ii) Other than traffic offences, none of the Management Committee Members and Chief Internal Auditor has been convicted for any offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year under review.

CHAIRMAN'S

"Malakoff is moving in the right direction and is well-positioned to aggressively pursue value accretive opportunities locally and internationally."

Datuk Haji Hasni Harun
Chairman

STATEMENT

DEAR SHAREHOLDERS,

I am pleased to report that Malakoff Corporation Berhad ("Malakoff" or "Group") has pulled through yet another challenging year. Underpinned by our three pillars - growth, operations, and sustainability, we delivered a satisfactory year and I would like to acknowledge the efforts of Team Malakoff for their commitment and perseverance to deliver the results.

The World Bank's 2017 Doing Business Report ranked Malaysia 24 out of 190 economies on the Getting Electricity indicator, which is a proof of Malaysia's progressive policies. As we move towards our vision of achieving a developed nation status, the demand for energy will continue to grow.

Malaysia has pledged to reduce its carbon emissions by 40% in 2050, and therefore the strategic shift to renewable energy is inevitable. To achieve this, the Government is at present implementing various sustainable policies. At Malakoff, we are actively exploring Renewable Energy ("RE") opportunities, in tandem with the Government's aspiration.

Expansion into RE will enable Malakoff to widen its horizon and expand our RE generation capacity as well as capability into new areas such solar, hydro, biogas and any other sustainable energy. This will complement our existing water and power generation businesses which will continue to be our mainstay for the foreseeable future.

ACHIEVING OPERATIONAL EXCELLENCE

Operational excellence is key to achieving sustainable growth. Our focus on this will enable our assets to continuously deliver optimal returns on our investments through improved reliability and availability and cost reduction. These in turn will improve our competitiveness to bid for new projects. We put emphasis on meeting our obligations as well as ensuring strict compliance with relevant regulations. Through continuous learning and development programmes, we have developed a very strong team, comprising of highly competent and qualified technicians and engineers within Malakoff.

RM7,130.4mil
Group revenue

17%
increase in revenue

Chairman's Statement

We will continue to intensify our efforts to improve our systems and processes, which are regularly benchmarked against global best practices to improve our efficiency and effectiveness. In 2017, we embarked on a manpower restructuring exercise to further reinforce our organisation. Continuous improvement projects such as the Lean Six Sigma, 5S and various cost savings initiatives were rolled out as part of our effort to achieve operational excellence.

We are committed to drive high performance culture within Malakoff with a strong focus on execution. I am happy to note that efforts are being made to improve our Performance Management System and to track our people's development more effectively going forward.

DELIVERING RESULTS

Despite the market and industry challenges, the Group's revenue for the financial year ended 31 December 2017 ("FY2017") increased by 17% to RM7,130.4 million from RM6,098.4 million in the financial year ended 31 December 2016 ("FY2016").

For FY2017, the Group recorded Profit after Tax and Minority Interest ("PATMI") of RM310.0 million which is lower than the PATMI for FY2016 of RM355.5 million, primarily due to the expiry of the PPA for SEV which was extended from 1 July 2017 at a significantly lower rate.

For the year under review, the Group's basic earnings per share ("EPS") was 6.2 sen, a slight drop of 13% compared with FY2016. However, the Group continues to record strong EBITDA of RM2.7 billion which is comparable to the previous year. Our cash balances continued to improve with the total cash balances increased to RM5.0 billion from RM4.4 billion previously, reflecting the strong cash generated from its businesses.

Malakoff Group's balance sheets continues to strengthen with its net gearing ratio improving from 2.14 to 1.57 times as at 31 December 2017.

Based on this, the Board is pleased to recommend a single-tier final dividend of 3.7 sen per ordinary share, subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 26 April 2018. Together with the interim dividend of 2.5 sen per ordinary share paid out in October 2017, the total dividend payout for FY2017 would be 6.2 sen per ordinary share, representing a payout ratio of 100% of PATMI for the year. This is in line with the Group's dividend policy of distributing not less than 70% of its consolidated PATMI to the shareholders of Malakoff.

For more details on the Group's operational and financial performance for the year under review, please refer to the Chief Executive Officer's Operations Review - Management Discussion and Analysis ("MD&A") section of this Annual Report.

EMBRACING PRINCIPLES OF GOOD GOVERNANCE

The Board remains committed to implementing the highest standards of corporate governance and risk management throughout our organisation. Malakoff is continuously working to abide by the principles of the Malaysian Code of Corporate Governance 2017, Corporate Governance Guide of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and had been fully compliant and will continue to comply with the Main Market Listing Requirements issued by Bursa Malaysia.

BUILDING TRUST AND ENSURING SAFETY

As a responsible corporate citizen, Malakoff ensures that its employees work in a condusive environment. As a testament to this, our Prai Power Plant was awarded the National Occupational Safety and Health ("NOSH") Excellence Award in the Energy Facility category from the Department of Occupational Safety and Health ("DOSH"), under the Ministry of Human Resources. This was part of the NOSH Excellence Award 2017.

PwC Malaysia's Building Trust Awards 2017 also recognised Malakoff as one of the 20 finalists among the leading Malaysian companies. The Awards are the first in Malaysia to employ an innovative and distinctive criteria to measure stakeholders' trust beyond financial performance. The industry recognition reinforced our leadership in corporate reporting as well as our commitment to build and sustain the trust of our stakeholders.

MOVING FORWARD

Moving into 2018, we will continue to strengthen our fundamentals and explore new opportunities for growth to meet the expectations of our stakeholders.

We will also continue to strengthen our operational capabilities, with more focus on enhancing efficiency, availability and reliability of our assets.

We will intensify engagement between Management and the Board of Directors, and employees at large as well as other relevant stakeholders to steer the organisation to greater heights.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank our shareholders for their support and belief in Malakoff, and our partners as well as customers for their continued confidence in the Group. Additionally, I extend our appreciation and gratitude to our bankers, financiers, business associates, suppliers, government bodies, regulators, Bursa Malaysia and members of the media for their continuing support for Malakoff.

My gratitude also goes to my fellow Board members for their stewardship, counsel and insights in steering Malakoff through the increasingly challenging landscape of the Group's businesses.

I wish to also extend my sincere appreciation to my predecessor, Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail, who had successfully led the listing of Malakoff on Bursa Malaysia and provided exemplary chairmanship during his tenure as our Chairman.

I wish to also express my sincere appreciation to YBhg Datuk Wira Azhar Abdul Hamid, our former Group Managing Director, who had served us well during his tenure with us. It was also a privilege to welcome our new Chief Executive Officer, YBhg Dato' Ahmad Fuaad Kenali, who joined us on 1 October 2017. The Board looks forward to working closely with him to execute our strategic plans.

During the year, we regret to note resignations of YBhg Datuk Muhamad Noor Hamid and YBhg Tan Sri Dato' Seri Alauddin Dato' Mohd Sheriff from the Board. Our utmost appreciation and gratitude to both of them.

We are also pleased to welcome our new members, YBhg Datuk Seri Johan Abdullah as a Non-Independent Non-Executive Director and YBhg Datuk Rozimi Remeli as an Independent Non-Executive Director, who joined the Board in May and October 2017 respectively.

Going forward, I believe Malakoff is moving in the right direction and is well-positioned to aggressively pursue value accretive opportunities locally and internationally. We look forward to supporting Team Malakoff, which will continue to grow from strength to strength in the coming years.

DATUK HAJI HASNI HARUN
Chairman

Domestic and International Footprint

as at 23 February 2018

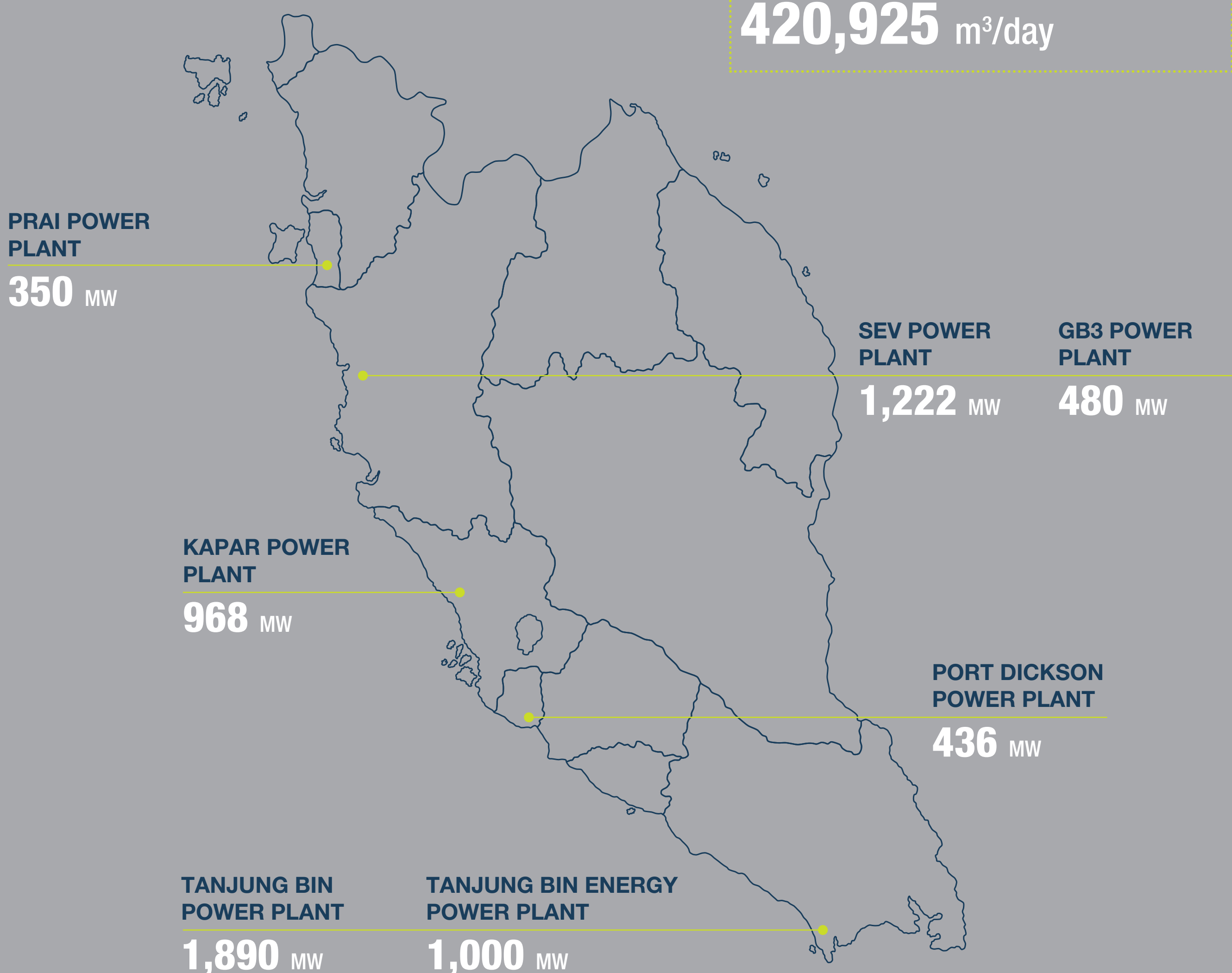
MALAYSIAN INDEPENDENT POWER GENERATION

TOTAL EFFECTIVE POWER GENERATING CAPACITY

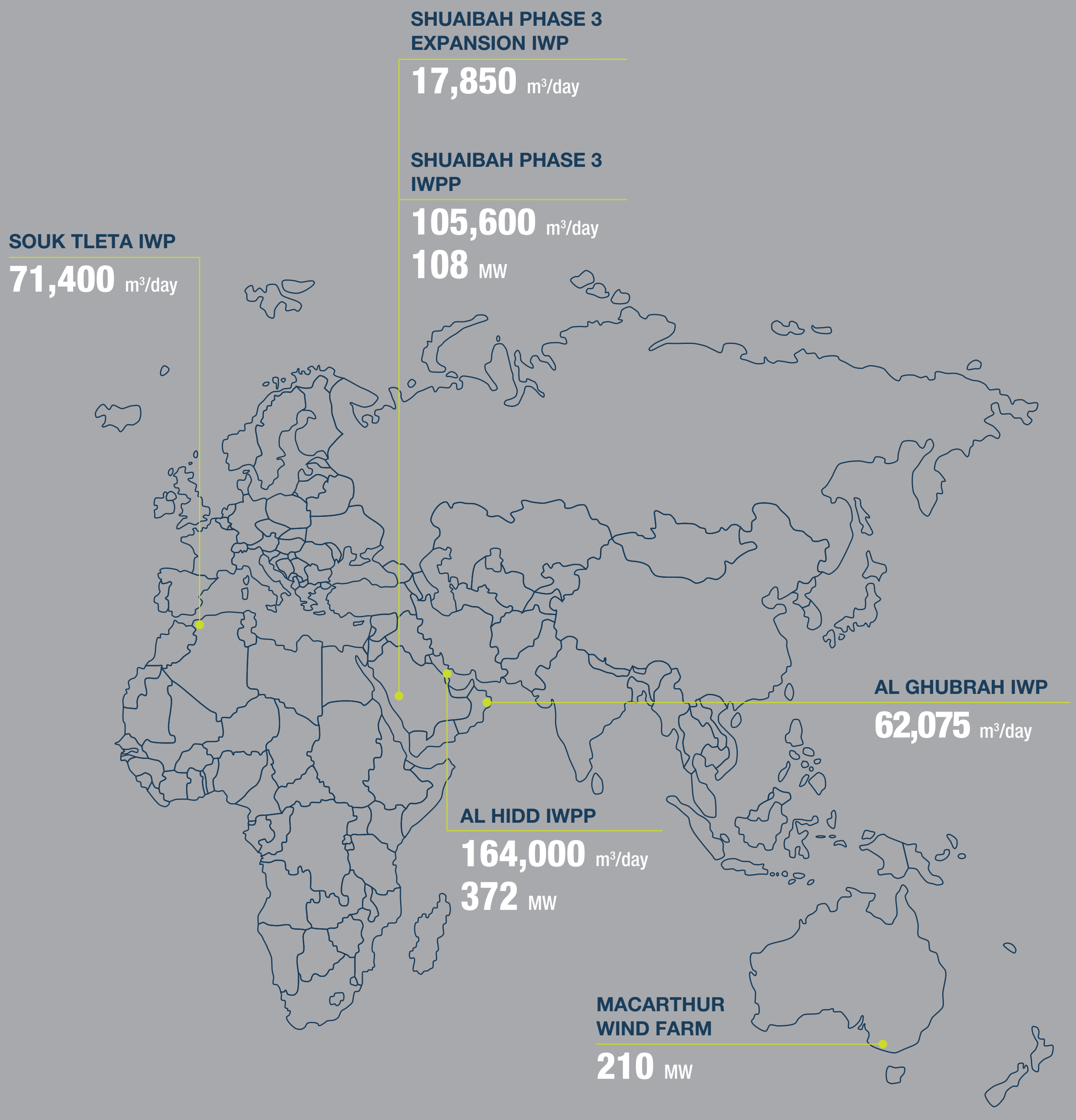
MALAYSIA	INTERNATIONAL
6,346 MW	690 MW

TOTAL EFFECTIVE WATER PRODUCTION CAPACITY

420,925 m³/day



INTERNATIONAL INDEPENDENT WATER PRODUCTION & POWER GENERATION



CEO'S OPERATIONS REVIEW – MANAGEMENT DISCUSSION & ANALYSIS

"We will continue to focus our efforts on building capacity and capability to meet the growing demands for energy and water."

Dato' Ahmad Fuaad Kenali
Chief Executive Officer

> "Despite the challenges, together, we shall continue to chart exciting and interesting growth for Malakoff."

DEAR SHAREHOLDERS,

Malakoff Corporation Berhad ("Malakoff" or "the Group") will continue to focus our efforts on building capacity and capability to meet the growing demands for energy and water. We will continuously seek strategic investment opportunities for power and water related assets, locally and internationally.

BUILDING RESILIENCE

In anticipation of a more challenging business environment, we will continue in our efforts to strengthen our resilience whilst intensifying our strategic growth initiatives. Therefore, our main focus is to create competitive advantage by improving our operational efficiencies and effectiveness, enhancing our systems, processes and procedures, developing high performance culture, intensifying our cost management, optimising our cost of capital as well as maximising cash flow generation from our assets. These efforts are necessary in order to achieve our aspiration to increase our effective power generation capacity to 10,000 MW and water desalination capacity to 500,000 m^3/per day within the next five years.

STRATEGIC APPROACH

Malakoff will continue in its effort to secure new power projects in Malaysia, despite the challenges, to replenish our generation portfolio due to our expiring Power Purchase Agreements ("PPAs"). In addition to conventional power plants, we intend to expand further into the high growth renewable energy sector which will provide further scope for expansion in the future such as solar, hydro as well as biogas and waste to energy projects.

At present, we are actively pursuing opportunities in solar and small hydro projects that are available locally.

We had recently signed a Memorandum of Understanding with Touch Meccanica Sdn Bhd to explore potential collaboration to develop 7 small hydro sites and an integrated solar farm in the state of Pahang. We are also actively exploring opportunities in other states as well as collaborating with other concession holders for us to participate and add value to the projects

Concurrently, Malakoff is also leveraging on its experience and expertise in power and water projects to explore opportunities overseas especially in high growth countries or regions such as the ASEAN and the MENA regions.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2017 ("FY2017"), the Group's revenue increased by 17.0% to RM7,130.4 million from RM6,098.4 million reported in the previous financial year ended 31 December 2016 ("FY2016"). The increase in revenue was contributed mainly by Tanjung Bin Power Sdn Bhd ("TBP"), and Tanjung Bin Energy Sdn Bhd ("TBE") arising from higher applicable coal prices.

CEO's Operations Review – Management Discussion & Analysis

The Group recorded Profit after Tax and Minority Interest ("PATMI") of RM310.0 million compared with RM355.0 million in FY2016, primarily due to lower capacity payment registered by Segari Energy Ventures Sdn Bhd ("SEV") following revision of its Power Purchase Agreement ("PPA") from 1 July 2017. However, the decrease in PATMI was partially mitigated by higher fuel margin registered at TBP and TBE coal plants, positive contributions from overseas associates as well as compensation payment received from settlement of disputes over TBP's boiler failure.

The Group's cash and other investments representing deposit placements increased from RM4.4 billion to RM5.0 billion in FY2017. The strong cash generative capability of the Group's assets is represented by the relatively stable EBITDA of RM2.7 billion recorded in FY2017.

The Group incurred RM304.5 million in FY2017 in capital expenditure ("CAPEX") compared with RM468.9 million in FY2016. CAPEX was mainly related to C-inspection works planned for SEV and GB3, gas power plants.

As at 31 December 2017, the Group's debt-to-equity ratio improved to 2.29 times compared with 2.86 times in FY2016. Overall, the Group's balance sheets remained strong which is supported with total shareholders' equity of RM5.9 billion.

RM310mil

Profit after Tax and Minority Interest for FY2017

STRATEGIC REVIEW OF BUSINESS AND OPERATIONS

At Malakoff, we continuously strive to improve our operational efficiencies and strengthen our value proposition at home and abroad. In the following sections, we are pleased to present our reports on the key business sections of the Group.

DOMESTIC POWER GENERATION

With an effective domestic power generation capacity of 6,346 MW, our market share in Peninsular Malaysia is 26.3% of the total installed capacity.

Our domestic power generation assets include two coal-fired thermal plants, three combined-cycle gas turbine ("CCGT") power plants, and an open-cycle gas turbine ("OCGT") power plant. Our coal-fired power plants account for approximately 31.1% of Peninsular Malaysia's total installed coal-fired generation capacity. Through our associates, we also have 40% interest in a multi-fueled power plant which is strategically located in the central region.

OVERVIEW OF MALAKOFF'S DOMESTIC AND INTERNATIONAL POWER AND WATER ASSETS AS AT 23 FEBRUARY 2018

Plant name	Location	Plant type	PPA WPA PWPA 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	150,000 m^3/day	11.9%	17,850 m^3/day
Shuaibah Phase 3 IWPP	Kingdom of Saudi Arabia	Water & Power	2030	880,000 m^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
Al 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 IWP	Sultanate of Oman	Water	2034	191,000 m^3/day	32.5%	62,075 m^3/day
Total Effective Power Generation Capacity						7,035.6 MW
Total Effective Water Production Capacity						420,925 m^3/day

CCGT: Combined Cycle Gas Turbine
OCGT: Open Cycle Gas Turbine

SUBSIDIARY-OWNED POWER PLANTS

Tanjung Bin Energy Power Plant

With a capacity of 1,000 MW, the coal-fired Tanjung Bin Energy Power Plant ("TBEPP") is located on 65 hectares of land in the southwestern region of Johor, adjacent to the existing 2,100 MW Tanjung Bin Power Plant. The plant achieved its COD on 21 March 2016 and is currently supplying its generating capacity to the off-taker, TNB, under a 25-year PPA.

In recognition of its advanced design and technology, TBEPP has been conferred with the Top Plant 2016 Award by Power Magazine. The award-winning plant features ultra-supercritical technology, including a supercritical steam turbine and generator, a boiler and plant auxiliaries, which provide efficient coal combustion technology minimising the plant's impact on the environment.

CEO's Operations Review – Management Discussion & Analysis

TBEPP, which is in its second year of commercial operation, delivered a total of 4,905 GWh of electricity to the national grid, achieving an average capacity factor of approximately 56.0% for 2017. The plant recorded an average equivalent availability factor of 63.94% for 2017. However, the unplanned outage rate ("UOR") of 16.12% was above the PPA's threshold, mainly due to the maintenance outage events in April, November and December 2017.

Tanjung Bin Power Plant

The 2,100 MW Tanjung Bin Power Plant ("TBPP") power plant is the first privately owned coal-fired power plant in Malaysia. 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 plant continues to play a critical role in supplying power to the national grid.

In 2017, we initiated several phases of major improvement projects in relation to coal-handling activities for uninterrupted supply of coal to the plant. Besides, following the successful completion of the turnaround programme last year, involving major modification works to the boilers and the overhaul of the steam turbine, the plant reliability as well as the overall plant performance significantly improved during the year. In terms of electricity generation, the plant supplied approximately 15,856 GWh of electricity to the national grid in 2017, at an average capacity factor of 86.20%. The plant's equivalent availability factor increased from 83.71% in 2016 to 87.82% in 2017. The UOR of 2.79% was below the threshold under the PPA.

SEV Power Plant

Now in its 22nd year of commercial operation, the SEV Power Plant is still the largest CCGT power plant owned by an IPP in Malaysia. The SEV Power Plant continues to generate and supply 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.

During the year under review, our SEV Power Plant achieved an average capacity factor of approximately 44.09% and delivered approximately 5,032 GWh of electricity to the national grid. The Plant also registered an availability factor of 89.76%, maintaining our achievement from the previous year.

GB3 Power Plant

The CCGT GB3 Power Plant is located adjacent to the SEV Power Plant.

In 2017, GB3 is in its 16th year of commercial operation and delivered a total of 1,884 GWh of electricity to the national grid, achieving an average capacity factor of approximately 33.6% which is a significant increase from 2016 despite maintaining a high equivalent availability factor of 93.33%.

The low generation despatch in 2017 from 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 effectively downgraded both plants' positions in the merit order of despatch. Nevertheless, the Lumut Power Plant continued to demonstrate its proven reliability in despatching power as demanded.

Prai Power Plant

The CCGT Prai Power 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.

In 2017, our Prai Power Plant recorded a net efficiency of 50.69%. In commercial operation since 2003, the Prai Power Plant delivered a total of 1,169 GWh of electricity to the national grid in 2017. It also recorded an average capacity factor of 38.13%, while registering an equivalent availability factor of 78.57%.

Port Dickson Power Plant

Port Dickson Power Plant ("PDP Plant") is a 436 MW OCGT gas turbine power plant that supplies electricity to the national grid for peaking and emergency requirements.

In its second year of the three-year PPA extension period, the PDP Plant has consistently set exemplary performance standards in terms of its availability and commercial starting reliability. In 2017, the PDP Plant delivered 70 GWh of electricity to the national grid. Being an open-cycle power plant, the facility recorded an average capacity factor of 1.83%, while registering an equivalent availability factor of 98.80%.

ASSOCIATE-OWNED POWER PLANT

Kapar Power Plant

Our 40% owned Kapar Power Plant which is also known as the Sultan Salahuddin Abdul Aziz Power Plant has 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 2017, our Kapar Power Plant delivered a total generation of 10,641 GWh to the national grid and recorded an equivalent availability factor of 84.77%.

INTERNATIONAL ASSETS

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

We have a 12% effective equity interest in the Shuaibah Phase 3 Independent Water and Power Project ("IWPP") located near Jeddah in the Kingdom of Saudi Arabia. The project, which is in its eight year of operation is our first overseas venture. The IWPP consists of a 3x300 MW crude oil-fired Power Plant and 880,000 m^3/day Multi-Staged Flash Distillation Units for the desalination of sea water. The project was executed on a BOO basis under a 20-year Power and Water Purchase Agreement ("PWPA") with the Water and Electricity Company of Saudi Arabia. During the year it recorded an availability factor of 95.8% and 94.6% for power generation and water production respectively.

Shuaibah Phase 3 Expansion Independent Water Project (Saudi Arabia)

We have a 11.9% equity interest through Shuaibah Expansion Project Company Ltd in the Shuaibah Phase 3 Expansion Independent Water Project ("IWP"). It has a capacity of 150,000 m^3/day and utilises reverse osmosis technology to desalinate sea water. Since its commissioning in 2009, it recorded positive plant performance, and in FY2017, it recorded a high availability factor of 96.6%.

Souk Tleta Independent Water Project (Algeria)

We made our maiden foray into the North African region, with an effective 35.7% stake in the Souk Tleta Independent Water Project. The 200,000 m^3/day plant is located in Wilaya of Tlemcen in Algeria and uses reverse osmosis technology to desalinate sea water. Since achieving COD in April 2011, we have continued to invest significant resources and technical expertise in the plant to improve its performance. In FY2017, the desalination plant recorded an average availability factor of 32.3%.

Al Hidd Power Generation and Water Desalination Plant (Bahrain)

With a 40% equity interest, the Al Hidd Independent Water and Power Plant ("Al Hidd Plant") is our major overseas investment. Comprising three phases, including a gas-fueled combined-cycle gas turbine, the plant has a total power generation capacity of 929 MW and water production capacity of 410,000 m^3/day, using the Multi Stage Flash ("MSF") and Multi Effect Distillation ("MED") technologies. The plant continued to perform steadily and has achieved an average availability factor of 94.8% and 94.5% for power generation and water production respectively in 2017.

CEO's Operations Review – Management Discussion & Analysis

Al Ghubrah Independent Water Project (Sultanate of Oman)

The Al Ghubrah Independent Water Project was awarded to a consortium, led by Malakoff International Limited ("MIL") on a build- own-operate basis, using reverse osmosis technology. The plant started commercial operations on 19 February 2016 and had successfully completed its Initial Public Offering ("IPO") on 2 January 2018. The consortium consisting of Malakoff and Sumitomo, where each shareholder holds a 32.5% equity interest in Muscat City Desalination Company, S.A.O.G ("MCDC") after the offer for sale of 35% shares in the company pursuant to the IPO in accordance with its obligation under the Project Founders Agreement. Under a Water Purchase Agreement ("WPA") with the Oman Power and Water Procurement Co, the project is expected to deliver up to 191,000 m^3/day of water over 20 years. Since the commencement of its operations, the plant has been delivering water in accordance with the projected performance and recorded average availability of 91.8%.

Macarthur Wind Farm (Australia)

Our acquisition of a 50% interest in the Macarthur Wind Farm marks our first venture into the RE sector as well as in Australia. The Macarthur Wind Farm is located in the State of Victoria and is the largest wind farm in the Southern Hemisphere.

The Macarthur Wind Farm features 140 Vestas V112 – 3.0 MW wind turbines, with a capacity of 420 MW that is sufficient to power more than 155,000 average-sized homes in Victoria and reduce 1.5 million tonnes of greenhouse gases each year. This is in line with the Australian Government's Renewable Energy Target ("RET"), which is to secure about 23.5% of Australia's electricity from renewable resources by 2020. This year, the plant recorded an equivalent availability factor of 96.8%.

OPERATIONS AND MAINTENANCE

The Group's portfolio of power generation and water production assets is supported by our strong O&M capabilities. 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, which was incorporated in Malaysia in 1993, has been tasked with the management of the Group's associates, joint venture partners as well as third-party clients, both locally and abroad. As of 31 December 2017, the Group has accumulated well over 22 years of O&M experience 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 take a systematic approach to O&M performance improvement by focusing our efforts to strengthen our capabilities. Our continuous effort is focused on improving the performance of our assets.

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. In keeping with our prudent practice, 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

Leveraging on our long standing domestic O&M experience, we continue to widen our O&M footprint internationally. Over the years, we have secured O&M contracts with diverse third-party clientele, mainly in the MENA region. The Group's experience covers O&M services for coal-fired, CCGT and OCGT power plants, water desalination plants, the provision of technical and simulator training, and overhaul services.

In 2017, TJSB continued to deliver safe and efficient power plant operations to meet the objectives of our clients in MENA and Southeast Asia. TJSB, through its subsidiary, TJSB Middle East Ltd., 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 positive performance with an average availability factor of 94.5%.

TJSB ventured into the Indonesian market in 2013 through its local subsidiary PT Teknik Janakuasa, with a mandate to operate and maintain the Merak Coal Fired Power Plant, with a capacity of 120 MW and 55 tonnes/hour steam generation. PT Teknik Janakuasa has an established local presence in Indonesia, with a marketing arm operating from Jakarta. It continuously explores new market opportunities by participating in tenders and submissions for Power Plant O&M and related services.

TJSB endeavours to sustain the momentum in domestic market, while looking for avenues for international expansion. In addition to our existing overseas footprint, TJSB is committed to building on its international experience in O&M and related services to other countries such as Indonesia, Bangladesh, Philippines and the Middle East.

TJSB, through its Maintenance Repair, Reengineering and Overhaul expertise, also provides Maintenance Repair and Overhaul for power plants. It substantiates our efforts to expand our international market and drives our growth journey. Towards this, in 2017, we continued to invest our resources to develop competencies of our team, and provide them opportunities to demonstrate leadership and contribute to our international aspirations.

Maintenance, Repair, Reengineering and Overhaul

Through TJSB, we offer Maintenance, Repair, Reengineering and Overhaul ("MRRO") services to significantly reduce the overall maintenance cost of our plants. With MRRO solutions, covering a wide-spectrum of power-related facilities and equipment, we provide expert personnel to local and international clients, mainly to undertake and deliver on-site field services for both planned and unplanned plant maintenance. Our range of services include major and minor overhauls of thermal and gas plants, engineering field services by offering cost effective solutions to customers.

In 2017, we continued with our efforts to identify capable and credible Independent Service Providers ("ISPs") globally. Through potential strategic partnerships with ISPs, we intend to further develop TJSB's in-house capabilities as well as expertise for expansion in 2018 and beyond. In other words, for strategic growth of TJSB, we will continue to explore O&M and MRRO opportunities locally and internationally, including through collaborations, joint ventures and acquisition of service-based businesses.

Engineering Department

Our Engineering Department in 2017, continued to lend its engineering expertise towards overall plant improvement with the implementation of CAPEX projects across all our power plants locally – from feasibility study, design and engineering review, technical evaluation and implementation to the completion stage. In Coal-Fired Power Plants ("CFPPs"), the department contributed mainly on Boiler Pressure Parts Assessment, adopting a Risk Based Inspection ("RBI") approach during plant outages.

The RBI concept was implemented through extensive development and improvement programmes such as the Integrated Database Management System ("IDMS") software project, which was executed for TBPP and TBEPP. The department also continued with the implementation of Process Safety Management ("PSM") at Prai Power Plant, TBEPP and Lumut Power Plant, based on the pilot implementation at TBPP last year. The role of the Engineering Department during plant outages is critical in conducting boiler inspection and parts assessment. The success of the improvement works is crucial to ensure CFPPs can deliver sustainable output, safely and reliably.

The department's contribution in other CCGT power plants included combustion optimisation of Gas Turbine ("GT") 31 at GB3 plant for base load adjustment. Additionally, the department was also involved in gas turbine inspection support during plant outages, provided technical review on insurance claims of major equipment breakdown, gas turbine parts planning and assessment, and control in optimisation of parts' life-cycle cost.

CEO's Operations Review – Management Discussion & Analysis

During the year, the department continued to lead various technical studies such as RBI, Root Cause Analysis ("RCA") and Engineering Risk Assessment & Operation Risk Assessment Process. The recommended actions, as the outcome of the studies, were implemented to address plant issues and mitigate plant operational risks. Besides supporting our domestic power plants, the Engineering Department also supported Al Hidd Plant in Bahrain with advice on generator overhaul, and Bibiyana Plant in Bangladesh with technical risk assessment.

ELECTRICITY DISTRIBUTION AND CHILLED WATER SUPPLY

Our wholly-owned subsidiary, Malakoff Utilities Sdn Bhd ("MUSB"), is an electricity distribution and district cooling plant utility which holds an exclusive license to distribute electricity within Kuala Lumpur Sentral ("KL Sentral"), a 72-acre development in Kuala Lumpur, with the capacity to meet off-take up to 100 MW. Currently, the maximum demand is 54 MW, with a large potential for increasing sales in the future. The demand for electricity in 2017 is expected to further increase due to the on-going development of KL Sentral as a central business district.

MUSB had 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 2017, we conducted a customer satisfaction survey on the application process for new MUSB customers and achieved a high rating of 99.7% on all satisfaction indices, including courtesy, care, attention to detail, and the overall customer experience.

During the year under review, we have successfully registered MUSB with Ministry of Finance ("MOF") and obtained the Energy Service Company ("ESCO") and CIDB Malaysia certifications. Moving forward, we will be actively exploring opportunities to extend MUSB's scope beyond KL Sentral. With our credible track record and ability to leverage on the Group's synergies, MUSB is well-positioned as a multiple utility provider.

HUMAN CAPITAL

In fulfilling our growth aspirations, we emphasise on building a dynamic high performance workforce, by nurturing employees and optimising their full potential. In 2017, our Human Capital Division's key focus areas were on building a leadership/talent pipeline, fostering performance culture, and inspiring the 'one-team' spirit towards achieving the Group's mission and vision.

At Malakoff, we understand that diversity in skills, roles and responsibilities is key to sustaining organisational growth. Hence, we continuously plan to attract, develop and retain the best technical and non-technical talents. To leverage on the diverse functional capabilities of our people, we facilitate talent mobility by encouraging cross-department assignments as well as by realigning resources to meet the ever-evolving business priorities and technology requirements.

As at 31 December 2017, we had 1,035 employees, all positively contributing to operate, produce and serve at the highest-level of efficiency and efficacy. During the year under review, as part of our succession management, we identified high-potential employees, with commendable track records and who have demonstrated capabilities to serve the future needs of the organisation. We had also developed Job Profiling and Competency Based Assessments to assess the skills gaps and strengthen the teams through various interventions, including formal training and development programmes.

As we prepare ourselves to respond to the rapidly changing business requirement and demographics, we have deployed HR analytics, which help garner insights and solutions from historical trends and predictive analytics. The focus is on Big Data in Human Resources to optimise advanced analytic platforms and visualisation tools to evaluate and elevate organisational performance. In the process, various trends are analysed - from workforce demographics to performance data - as an integrated process to drive people-related decisions and align them to our business goals.

In aspiring for new growth, both in the local and international markets, it is extremely critical for us to continue to invest in human capital to achieve greater productivity and performance. The priority will be to build our technical and non-technical capabilities internally by reskilling and upskilling our employees in various areas of operations, management and technology. With diverse skills sets, the scope for learning and development will also increase, enabling cross-functional assignments and talent mobility across our domestic and overseas operations.

Moving forward, we will endeavour to develop and sustain a high-performance culture, supported by our core values: integrity, teamwork, innovation, excellence and harmony.

INFORMATION TECHNOLOGY

With the advent of the Fourth Industrial Revolution ("IR4.0"), digitalisation has become a norm, with some challenges and many new opportunities for growth. While the next generation information technology ("IT") platforms such as Cloud Computing, Mobility, Big Data & Internet of Things ("IoT") are revolutionising the way we connect with people and conduct our business; new data protection laws and tightening compliance are posing new challenges to the business.

As part of our digital transformation plan in 2017, the immediate priority was to enhance our efficiency through improved user experience, automated business processes and seamless mobility. We adopted cloud computing technology for its scalability and elasticity, especially for disaster recovery of our critical systems. We initiated discussions to plan and launch strategic programmes in near future.

Data drives our business transformation - its integrity, speed of accessibility and security remain absolutely critical. We therefore recognise the importance of data security, which remains a continuous threat in today's borderless business domain. In 2017, besides our regular external security assessments, we deployed a security tool called Intrusion Protection System for threat containment, and conducted regular audits to remain vigilant and protect our networks from cyber threats and attacks. Going forward, a data protection and security awareness programme will be further intensified to safeguard our business interests.

ENTERPRISE RISK MANAGEMENT

The implementation of Enterprise Risk Management enables us to make sound business decisions in mitigating risks whilst pursuing our business objectives. Our Management Risk Committee ("MRC") is tasked with supporting the Board Risk and Investment Committee ("BRIC") to ensure our Enterprise Risk Management Policy and Framework ("ERMPF") is implemented effectively in line with the ISO 31000:2009 Risk Management Principles and Guidelines codified by the International Organisation for Standardisation ("ISO").

During the year, a total of 103 risk initiatives and activities were implemented, including a series of risk assessments, reviews and trainings conducted across the organisation. As at 31 December 2017, a total of 540 risks were registered and monitored in the Enterprise Risk Management System ("ERMS"), of which 50.19% were rated as low-risks, 38.15% as moderate risks, 10.55% as high-risks, and 1.11% as extreme risks. There were 58 management actions identified as at 31 December 2017 to mitigate the risks which currently are being diligently monitored.

As part of our Enterprise Risk Management programme, Technical Risk Assessment Processes ("TRAPs") are also carried out every year for all our power plants and reported to the MRC.

The objectives of TRAPs are 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 ERMS.

In 2017, we successfully implemented the Business Continuity Management ("BCM") programme at five of our local power plants namely TBPP, TBEPP, SEV, GB3 and Prai. A fully operational BCM ensures that the plants are well prepared to swiftly respond to any business interruption or unexpected disaster that could disrupt operations. Furthermore, a BCM Drill on Terrorist Attack was conducted at TBPP on 30 November 2017. The BCM Drill, named Ex. Power Tanjung Bin 2017, was planned in collaboration with Majlis Keselamatan Negara ("MKN") Johor, Polis DiRaja Malaysia ("PDRM") and other government agencies to test 'Arahan MKN 18' and the readiness, capabilities and emergency response level at the plant. It was also intended to create a common understanding between TBPP, MKN, PDRM and other related agencies on the response mechanism during possible terrorist incidents.

CEO's Operations Review – Management Discussion & Analysis

We also prepared our employees to take full accountability for their actions and their dealings with multiple stakeholders. Integrity, which is one of our core organisational values, reflects in our professional conduct and behaviour. In 2017, our leadership, together with all employees officially took a Corruption-Free Pledge (Ikrar Bebas Rasuah or "IBR") with the Malaysian Anti-Corruption Commission ("MACC"). IBR is an initiative introduced by MACC, which is voluntarily taken by senior leaders and employees in their individual capacity, committing to ethical practices and developing a zero-tolerance culture towards all forms of corruption. The pledge reinforces the long-held trust of our stakeholders in Malakoff, with a reassurance that we will safeguard the interests of our employees, our partners and the community by preventing corruption at the workplace and marketplace.

OUTLOOK & PROSPECTS

Domestic Prospects

Malaysia's economy as measured through Gross Domestic Products is projected to grow between 5.0% and 5.5% in 2018. This in turn will augur well for the energy industry. Suruhanjaya Tenaga has forecasted electricity demand a growth of 2.3% for the period from 2016 to 2020 for the Peninsular Malaysia.

However, due to the planned plant up, the prospect of us adding new capacity to our local power generation fleet in the new future is very challenging. While growth in the conventional power generation remains uncertain, we will continue to explore solar power generation opportunities as well as other renewable projects such as hydro and biogas.

International Business

As at 2017, the Southeast Asia region has an installed power capacity of 210 GW, and it is estimated that an additional 270 GW will be required by 2035. This in turn will require extensive investments exceeding USD500 billion in power assets alone. This will provide opportunity for us to pursue new opportunities to meet the power demand in this region.

Similarly, the installed power capacities 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. According to the GCC forecasts, the desalination capacity will also increase 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. We believe our existing footprint in the GCC area we will provide opportunities for us to pursue new opportunities in the said region.

GOING FORWARD

Achieving growth is one of our core strategies going forward. However, all our investment decisions are guided by the principle of creating value for our stakeholders. And all opportunities are evaluated based on their potential contribution to the Group's current portfolio and must be value accretive. In addition, all new business development initiatives must be conducted in accordance with the Group's strategic direction approved by the Board.

Our investment focus will be on attractive and value accretive opportunities in high growth areas which include Malaysia, ASEAN region and the MENA region. However, we shall remain vigilant to attractive and value accretive opportunities especially in the area of renewable energy sector.

Achieving Sustainable Growth

The key to achieving sustainable growth is to grow profitably. We will focus on growing in high growth areas which can provide attractive and value accretive opportunities. We will also focus on optimising the return on our assets and investments through continuous operational improvements, effective cost management and, if necessary, to undertake portfolio rebalancing.

We adopt Sustainability as one of our key pillars to focus on as part of our 5-year Strategic Business Plan by addressing the Environmental, Social and Governance ("ESG") impact in our business operations. We firmly believe, with the right balance, sustainability approach through ESG will create superior long term sustainable value to all our stakeholders.

APPRECIATION

We take this opportunity to acknowledge and extend our sincere appreciation and thank you to all our shareholders for their support and belief in Malakoff.

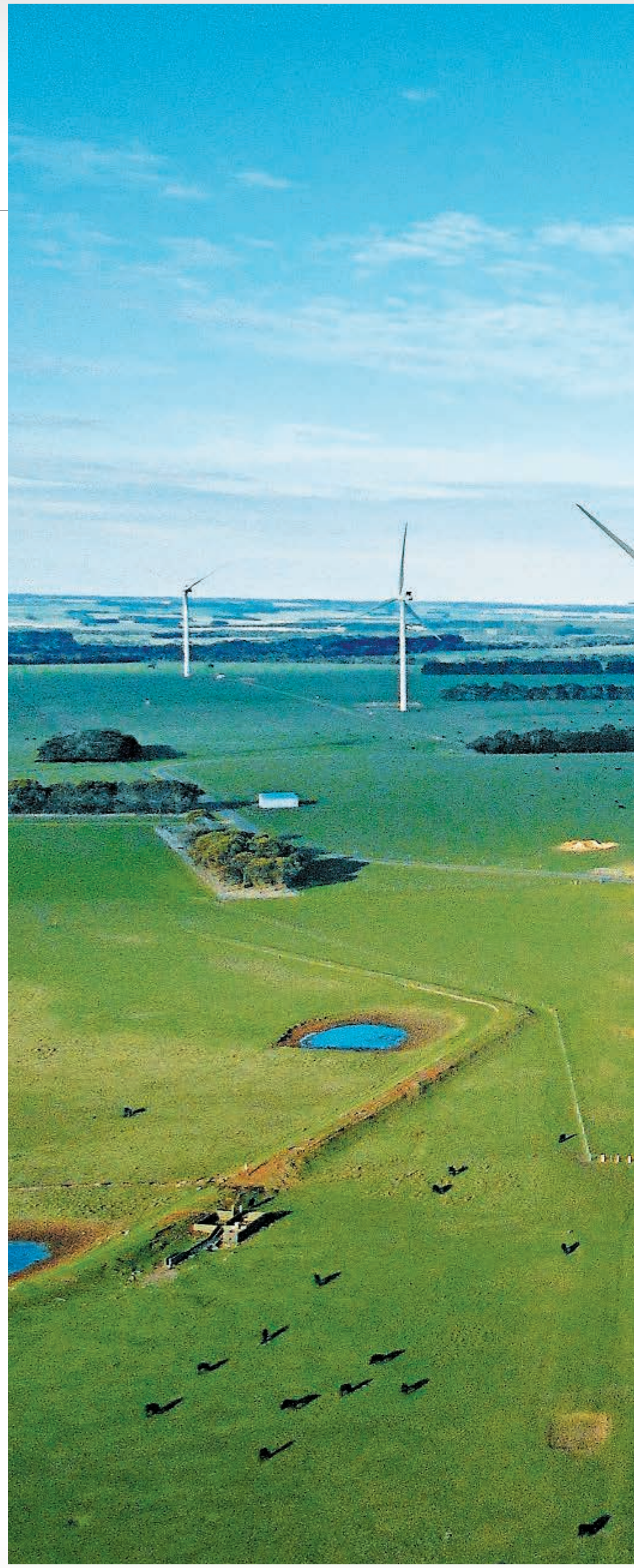
We wish to also express our utmost appreciation and gratitude to the Government of Malaysia, the relevant regulatory authorities, media, financiers, business associates and partners, consultants and customers for the encouragement and assistance provided to Malakoff throughout the years.

Last but not least, special thanks and appreciation to our Board members for their guidance and wisdom and to Team Malakoff for their loyalty, dedication, passion and willingness to embrace change for the better. Looking ahead, and despite the challenges, together, we shall continue to chart exciting and interesting growth for Malakoff.

DATO' AHMAD FUAAD KENALI
Chief Executive Officer

SUSTAINABILITY STATEMENT

At Malakoff, we are committed to forge partnerships to improve power and water access, efficiency and sustainability, creating value for our multiple stakeholders through positive environmental, social, governance ("ESG") impact. As we embark on our sustainability roadmap, we will work with our people, improve on our processes and capitalise on technology to define clear sustainability goals and targets, creating long-term equity and impact.



Sustainability Commitment

> "As a leading regional independent power and water producer, we understand the importance of energy and water in the context of economic development, social progress and environmental good. It takes strong business commitment, long-term investments in technology and policy support towards shaping a world that is powered by sustainable energy and water."

DATO' AHMAD FUAAD KENALI
Chief Executive Officer

Globally, guided by the UN's Sustainable Development Goals, governments and organisations are working towards reducing energy intensity, mainly contributed by improved efficiencies, especially in industrial and transportation sectors. Some of the efforts to reduce energy emissions include adoption of clean technologies, the imminent shift to renewables and introduction of innovative product and policy solutions. The coordinated and consolidated efforts across the world are expected to limit the rise in global temperature at 2 degrees Celsius. Malaysia has also pledged for a voluntary reduction of up to 40% of emissions intensity per unit of GDP by the year 2020 compared to her emission levels in 2005. In trying to meet this target, Malaysia continuously review the National Energy Policy to ensure secure, reliable, cost-effective and sustainable energy. Most recently, the government has moved from its four-fuel to five-fuel policy, to include RE along with oil, gas, coal, and hydro. The Eleventh Malaysia Plan (11MP) has also set an ambitious target to build the RE capacity to 2,080 MW by 2020. Globally, scalability and affordability of renewable energy are improving due to advancement in technology. The European utilities are moving away from coal even during the time when coal prices are going down. Of late, banks and long term investors such as pension funds are becoming more selective towards environmental friendly products and services. Due to rapid advancements in technology, Solar PV, wind (onshore) and biomass project tariffs are getting as competitive as conventional plants.

Against this backdrop, we believe that our role as a credible power and water producer is even more critical to not only support the aspirations of the government, but to also accelerate our efforts towards improving our energy-mix and energy efficiencies, while closely reviewing at our operations in all our key markets to effectively manage our ESG impacts. Towards this end, our commitment will go beyond embracing sustainable business practices. We will work with our stakeholders including authorities, investors, partners, service providers, employees and communities to adequately meet the present needs of power and water. We will also take greater responsibility to ensure that our current actions will positively contribute towards improving access to affordable, reliable, sustainable and modern energy for the future generations.

Moving forward, we will continuously identify and capitalise on common synergies, strengths and resources to integrate sustainability into our day-to-day business operations and behaviour. Our end objective is to improve our operational efficiencies and deliver long-term growth and value for all our stakeholders.

Our second Sustainability Statement ("the Statement") documents various policies, programmes and commitments in relation to our ESG impacts. The Statement also outlines our approach to improving and growing our business operations in a responsible and sustainable manner, with unwavering commitment to our stakeholders and other interested parties.

About This Report

The contents of this 2017 Sustainability Statement is based on the Bursa Malaysia Securities Berhad Main Market Listing Requirements and in accordance with Global Reporting Initiative ("GRI") Standards: Core Option. This is the first time we are adopting the GRI Standards as a guiding principle in our reporting framework, which allows us with a greater flexibility and transparency to report our materiality. This is a year of transition as we build linkages from G4 to GRI Standards and move towards a clearer defined plan in our sustainability journey.

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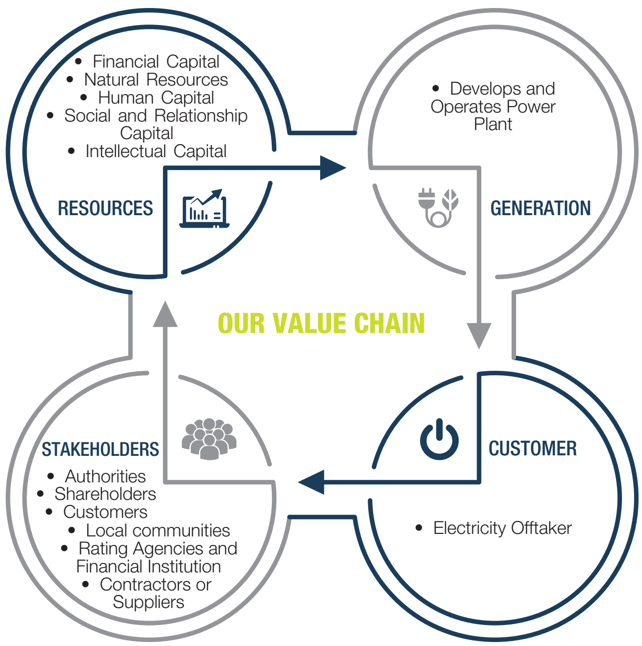
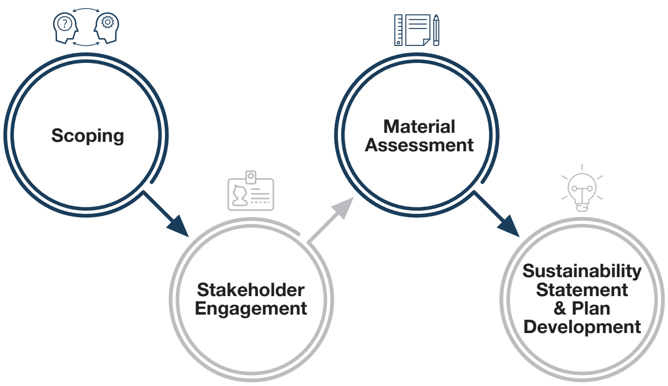


The Statement reports activities and performance indices limited to Malakoff Corporation Berhad's power generation in Malaysia for the financial year ended 31 December 2017. We have included disclosures on 28 material topics or issues of interest. Our aspiration is to expand the scope of reporting to all our international operations as well as to include them in our value chain. Hence, implementing sustainable policies and setting targets for our international operations are not within our immediate working scope.

The Annual Report 2017 and Sustainability Statement together provide a transparent account of our financial, operational and sustainability disclosures for the year under review. The following illustration summarises the guiding principles applied in preparing this Sustainability Statement:



We initiated the process of reporting by defining the scope in terms of geographical, operational and organisational boundaries, which in turn help us determine the resources, stakeholder involvement and the material topics which can be reviewed. This in itself is a critical process as it sets the tone and determines the quality of the overall reporting.

Our next important step is the process of stakeholder engagement, which includes the identification, prioritisation, approach and execution to solicit meaningful feedback and address various stakeholder concerns and expectations. Based on these, we conduct a material assessment of the top issues of interest or topics, which are then compared with the internal organisational priorities. Each of the topics are assessed and rated to determine their significance to the Group as well as to the stakeholders.

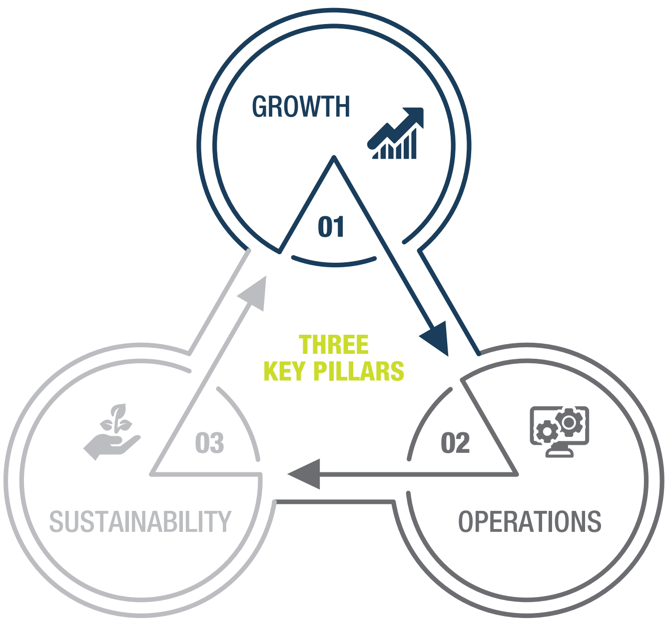
Subsequently, we develop the Sustainability Statement and Plan for the Group to review, implement and monitor, where applicable.

Sustainability Statement

OUR APPROACH TO SUSTAINABILITY

Our commitment to sustainable development is evident at all levels of our organisation. A clear goal and vision to improve underlines our efforts. At the leadership level, our Board of Directors and Senior Management recognise the importance of pursuing the sustainability agenda. In 2017, the Board of Directors discussed and approved our 5-Year Strategic Business Plan, which now has three key focus areas or pillars - Growth, Operations and Sustainability. We believe that the financial performance and business excellence are pre-requisites to building a sustainable business for the future. We measure our success beyond financial targets and place great emphasis on the impact our business has on communities as well as the environment.

The 5-Year Strategic Business Plan and its three key pillars:



Sustainable growth is crucial to ensure our long-term business viability. Operational excellence through best practices and technology interventions is a must for improving efficiencies. And sustainability is essentially about our responsibility towards the overall health of the organisation, in terms of financial, operational and the human aspects of our business. Our focus on these three pillars will help monitor and manage our environmental, social, and governance impacts.

Our sustainability approach is linked to the Group's risk management stewardship which can be found in the Statement on Risk Management and Internal Control section of this Annual Report.

We engage with industry professionals including organisations and experts to share knowledge, information, experience and best practice, as well as to stay abreast of current and emerging developments, trends and opportunities for our business. Malakoff is a member of Penjanabebas, an association of IPPs in Malaysia.

Although we often adopt international standards and practices, we do not easily endorse international charters and principles due to the fact that we take these initiatives very seriously and do not adopt them unless we are certain we can meet all the relevant criteria or requirements. Even if we do not officially adopt them, we would use or reference best practices from such charters to continuously improve.

SUSTAINABILITY GOVERNANCE

In 2017, we formalised a sustainability-related function under our new Group Corporate Strategy. The new function is responsible to strategise and implement the Group's sustainability agenda and roadmap. The function works closely with the Sustainability Working Group ("SWG"), which was formed in 2016 and is led by the Chief Strategy and Investment Officer. The SWG reports directly to the Chief Executive Officer, who is responsible for setting the overall direction for sustainability matters, supervision of the day-to-day implementation and for endorsing the annual Sustainability Statement.

In 2017, the SWG focused on strengthening the governance of sustainability function, by initiating efforts to:

- Further refine and formalise sustainability framework for the Group;
- Review the existing Malakoff's stakeholder engagement process;
- Review the materiality assessment to reprioritise sustainability matters; and
- Evaluate and determine sustainability-related targets and indicators.

To improve the quality of our reporting, the SWG has successfully completed specialised training, which has also helped equip the team with knowledge and skills to develop the sustainability statement independently. The training also served as an orientation for SWG members on various trends and standards in sustainability, locally and globally.

DISCLOSURE AND EXTERNAL ASSURANCE

In the second year of our sustainability reporting, we have focused on building our capacity in the areas of sustainability, by setting-up a formal function and identifying the resources to strengthen our foundation, before we move to the next level of strategy and implementation.

Our 2017 Sustainability Statement has not been submitted or reviewed for external assurance. However, we have benchmarked our reporting framework with some of the industry best practices and ensured that it is in line with Bursa Malaysia's reporting guidelines.

STAKEHOLDER ENGAGEMENT

At Malakoff, stakeholder engagement is not an isolated or an annual exercise. We continuously seek opportunities to engage with our diverse stakeholders, mainly to gain an external perspective on various aspects of our business and growth. Our proactive approach to seek feedback and understanding the expectations of our stakeholders, equips us with new insights, which are then transformed into new ideas and solutions.

As the Group's businesses and markets evolve, we find ourselves engaging with a growing number of diverse stakeholder groups. Continuous engagement gives us real-time data making it possible for us to respond to different issues and changing expectations in real-time. Our engagement strategy is simple, and is premised on the need to build trust and strengthen our relationships.

While the process of engaging with all the stakeholders may be resource-intensive and inefficient, we have institutionalised various platforms to keep the dialogue and feedback mechanism going throughout the year. In 2017, we have identified and prioritised the stakeholders as indicated in the following table:

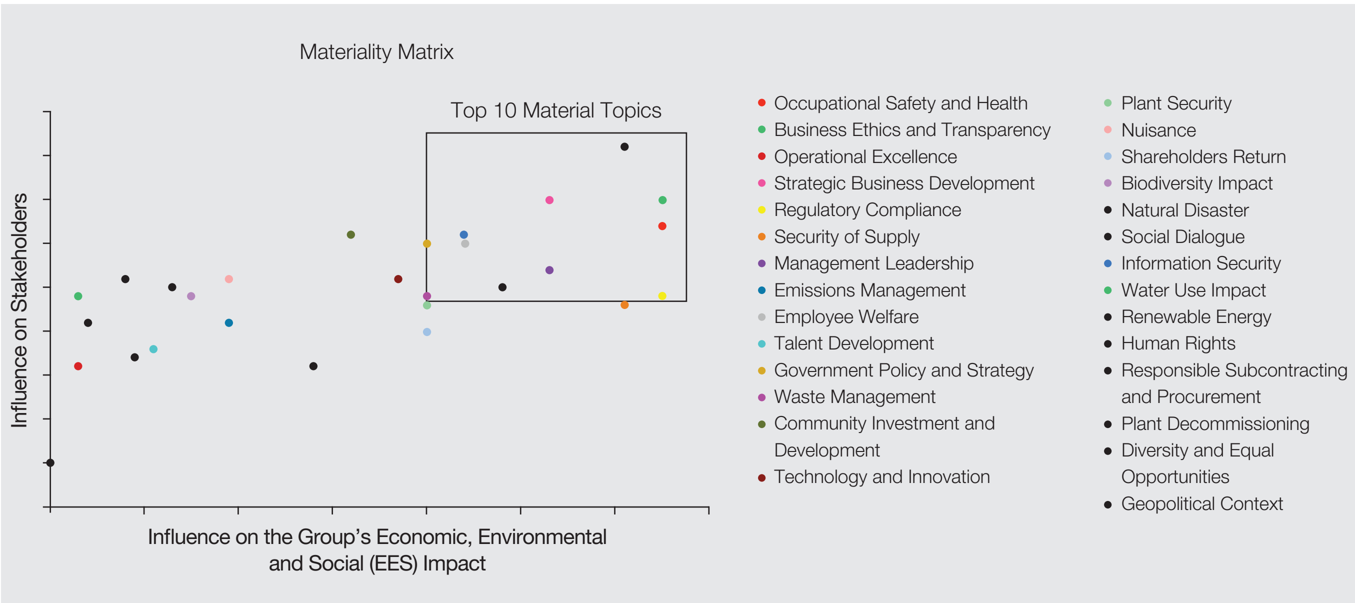
Stakeholder Group	Engagement Platform	Frequency	Focus Area
Government Authorities	• Face-to-face Meetings • Surveys • Corporate Events	• Ongoing • Bi-annual	• Policy • Market trends • Current issues
Law Enforcement Agencies	• Face-to-face Meetings • Surveys • Site Visits	• Ongoing • Bi-annual	• Compliance • Latest environmental considerations
Shareholders	• Face-to-face Meetings • Annual General Meetings • Interviews • Performance Report	• Ongoing • Annual • Bi-annual • Quarterly	• Business performance • Strategy • Sustainability initiatives
Customer	• Face-to-face Meetings	• Ongoing • Annual	• Customer experience • System availability • Resolving grievances
Employees	• Workshops • Townhalls and dialogue sessions • Surveys	• Ongoing • Annual	• Employee feedback • Employee welfare • Career development • Business conduct • Anti-corruption
Local Communities	• Face-to-face Meetings • Community Events	• Ongoing	• Social welfare and specific feedback on programs • Charitable contributions and activities
Rating Agencies and Financial Institution	• Face-to-face Meetings • Media Releases/ Announcements	• Ongoing	• Business performance • Strategy
Contractors/ Suppliers	• Vendor Day	• Ongoing • Bi-annual	• Pricing • Tracking and monitoring of performance • Payments

Sustainability Statement

MATERIAL TOPICS OR ISSUES OF INTEREST

During the year under review, we have not undertaken a separate stakeholder engagement exercise solely for the purpose of Sustainability Statement. However, we have built on the findings of Stakeholder Survey 2016, with additional feedback received from our stakeholders during our interactions throughout 2017. The respective heads of our business divisions were instrumental in capturing the stakeholder inputs and feeding them to the SWG for analysis of materiality.

We have reassessed the previously disclosed 28 material topics against the 2017 feedback from stakeholders and discovered only minor deviations from our 2016 materiality assessment. The issues of interest or topics that are material to both stakeholders and the organisation are identified. The materiality graph for the year under review is as follows:



TOP 10 MATERIAL TOPICS 2017

1. Occupational Safety and Health
2. Business Ethics and Transparency
3. Operational Excellence
4. Strategic Business Development
5. Regulatory Compliance
6. Security of Supply
7. Management Leadership
8. Emissions Management
9. Employee Welfare
10. Talent Development

OTHER ISSUES OF INTEREST

1. Government Policy and Strategy
2. Waste Management
3. Community Investment and Development
4. Technology and Innovation
5. Plant Security
6. Nuisance
7. Shareholders Return
8. Biodiversity Impact
9. Natural Disaster
10. Social Dialogue
11. Information Security
12. Water Use Impact
13. Renewable Energy
14. Human Rights
15. Responsible Subcontracting and Procurement
16. Plant Decommissioning
17. Diversity and Equal Opportunities
18. Geopolitical Context

The graph depicts the relevant reporting importance of the all identified sustainability related topics. The most important sustainability material topics are located towards the top-right side.

The most important points arising from the reassessment of the material topics in 2017 were:

1. Safety, health and well-being at workplace remains a top priority for Malakoff. We also continue to emphasise our engagement with industry and relevant authorities, as well as to ensure compliance with laws and regulations in all operations.
2. Issues such as anti-corruption, corporate governance and ethical business practices are not just hygiene factors but can be business enablers, building trust and enhancing credibility.
3. Operational Efficiency has been redefined from last year as Operational Excellence.
4. Employee related aspects such as enhanced employee training and knowledge sharing, as well as career development are all inclusive in Talent Development.
5. Commitment to the environment, and our approach to managing climate change is reflected in the way we manage our power plants emissions, effluents and waste from operations.

The material topics identified are discussed in the following sections of this Statement together with additional discussion on other related sustainability topics. They are grouped according to 3 themes which are Governance, People and Environment.

Sustainability theme	Material context	Material topics
Governance	This theme covers various aspects of **governance, operations and growth**	• Business Ethics and Transparency: Code of Conduct • Whistle-blowing Policy • Regulatory Compliance • Strategic Business Development • Business Innovation and Diversification • Security of Supply • Operational Excellence • Occupational Safety and Health • Effective Management of Procurement
People	This theme covers our people and social strategies, including **talent management, diversity and performance**	• Dynamic and Diverse Workforce • Harmonious Workplace • Nurturing Environment • Employee Welfare and Wellbeing • Community Investment and Development
Environment	This theme covers **our impacts and approach on environment**	• Emissions Management • Water Management • Waste Management

Sustainability Statement
Governance

"In adopting principles of good governance, we believe in the values of transparency, trust, and team spirit, which allow us to forge partnerships for **GROWTH** that is meaningful for both the organisation as well as our stakeholders. We are motivated to go beyond compliance and introduce sound policies and risk management frameworks that contribute to efficient **OPERATIONS** and in turn a resilient, robust and rewarding business. **This section covers various aspects of governance, operations and growth.**"

BUSINESS ETHICS AND TRANSPARENCY: CODE OF CONDUCT

The Malakoff Code of Conduct ("Code") is the Group's formal commitment that governs our employees' professional conduct, enabling them to operate in a transparent, appropriate and fair manner. The following principles guide our employees in their dealings with the Group, customers, vendors, suppliers, contractors and other internal and external parties.

MALAKOFF CODE OF CONDUCT – UNDERLYING PRINCIPLES

a. **HONESTY:** avoid hiding the truth;

b. **INTEGRITY:** avoid situations where the personal interests of employees appear to be in conflict with the interest of Malakoff Group;

c. **LEADERSHIP:** avoid abuse or misuse of the employees' position in the company;

d. **PROFESSIONALISM:** maintain secrecy when dealing with confidential information obtained in the course of employment and do not disclose or use such confidential information for personal advantage;

e. **LOYALTY:** avoid jeopardising the reputation of the company;

f. **RESPONSIBILITY:** disclose and seek clarification from relevant persons in the Group whenever in doubt or whenever ethical concerns arise;

g. **TRUSTWORTHINESS:** avoid misuse of the company's resources or assets for personal gain; and

h. **PERSONAL CONDUCT:** conduct or behave in any manner at any place and time that does not bring disrepute to the Group.

Employees are required to adhere to the Code by signing a declaration. The Code is made available and accessible to all employees.

WHISTLE-BLOWING POLICY

The Whistle-blowing Policy was launched in 2014 and provides employees and third parties with proper procedures to disclose cases of Improper Conduct which include criminal offences, fraud, corruption, breach of Group Policies and Code of Conduct or other malpractices.

A Whistle-blower is assured confidentiality of identity to a reasonably practicable extent. This includes protecting the Whistle-blowers from detrimental action that may result from the disclosure of Improper Conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy also serves to ensure that fair treatment is provided to both the Whistle-blower and the alleged wrongdoer when a disclosure of Improper Conduct is made.

A disclosure of Improper Conduct can be made verbally or in writing to the Chairman of the Board Audit Committee through a letter or e-mail to whistleblowing@malakoff.com.my. The Chief Internal Auditor is responsible for the administration, interpretation and application of the Whistle-blowing Policy and any amendment to this Policy needs to be vetted by the Chief Internal Auditor, subject to the final approval of the Chief Executive Officer, the Chairman of the Board Audit Committee and the Board of Directors.

In 2017, only one case was reported through the Whistle-blowing channel and appropriate action was taken in accordance to the Policy. A revision to the Whistle-blowing Policy was also made in 2017 to further enhance the effective implementation of the Policy.

The salient terms of the Whistle-Blowing Policy is available on our corporate website at: **http://www.malakoff.com.my/About-Us/Whistleblowing-Policy/**

REGULATORY COMPLIANCE

At Malakoff, we develop frameworks and processes to comply with the relevant laws and regulations. This includes various audit and verification programs, as part of the efforts to comply with the relevant Health, Security, Safety and Environment ("HSSE") regulations. In 2017, we have successfully conducted three different type of audits:

* QHSSE Internal Audits – Conducted by competent Internal Auditors
* SIRIM Surveillance QHSSE Audits – Conducted by SIRIM Certification Authority; and
* MCB Group Internal Audit – Conducted by Group Internal Audit Department

As a result of this systematic and structured effort, only one notice was issued by Department of Environmental ("DOE") Johor to TBPP in 2017 as compared to two notices in 2016. The notice which was served to us related to the management of scheduled waste. Based on this notice, we have revised and improved the current process of management of scheduled waste to ensure full compliance to the requirements.

CLEAN AIR REGULATION ACT (CAR 2014)

Changes relating to Clean Air Regulation Act will come into effect in June 2019. These changes include the inclusion of Hydrogen Fluoride ("HF"), Hydrogen Chloride ("HCl"), Polychlorinated dibenzodioxins ("PCDD")/ Polychlorinated dibenzofurans ("PCDF") and the introduction of new lower limits for Carbon monoxide ("CO") and Mercury ("Hg").

Engagement with the stakeholders are being undertaken and in progress to ensure that Malakoff is in the right course for compliance with the new Clean Air Regulation. As part of our proactive actions, in December 2017, Malakoff appointed a consultant to conduct an Environmental Compliance Audit at our local plants to assess the readiness and compliance to the new Act.

STRATEGIC BUSINESS DEVELOPMENT

The Group has an established portfolio of international power and desalination water production assets and remains committed to the power and desalination water businesses. We continue to pursue growth opportunities, mainly to support the Malaysian Government's target to achieve a cumulative large-scale solar capacity of 1,000 MW by 2020.

During the year under review, we explored and reviewed new local and overseas ventures and acquisitions, including potential business diversification, to deliver value for our shareholders. In keeping with global and regional trends, as well as our growing commitment to sustainable energy, we actively participated in local bidding process for commercially viable RE projects. Our plan to develop an optimised RE portfolio for the Group will not only catalyse new growth, but will help meet our sustainability agenda.

BUSINESS INNOVATION AND DIVERSIFICATION

The dynamic market trends demand businesses to continuously innovate and bring frontier solutions to the marketplace. It also calls the need for diversifying both the risks as well as the areas of growth and expansion. Therefore, we are on a constant look-out for high-potential business avenues related to waste-to-wealth and emerging technologies; servicing new customers in O&M services; electricity distribution and district cooling amongst others. All new investment opportunities are considered by the Management with stringent review and approval guidelines. Such opportunities are tabled to the Board of Directors for their approval only after a due diligence exercise has been conducted.

In June 2017, we participated in a bid to acquire National Central Cooling Company PJSC, a district cooling system company operating in the Middle-East. The bid for acquisition was however unsuccessful. During the year, in O&M Services, through our subsidiary Teknik Janakuasa, we provided technical training services as a new sustainable solution to promote and enhance skill and knowledge of professional community.

SECURITY OF SUPPLY

The security of supply to the National Grid is directly related to the available capacity during a given period and the reliability of plants operating within the same period. The outage plans for all our plants are reviewed together with the Grid System Operator on a regular basis to ensure our plants are available to support the grid system, as stipulated in the PPA, without compromising the integrity of the plants.

All our power plants (except Port Dickson Power Plant) are classified as national security zones ("Sasaran Penting") by the relevant government agency, Jabatan Sasaran Penting Negara ("JSPN"). In 2017, we continued to review and inspect security of the plants for both adequacy and effectiveness. All our plants have been audited by JSPN whereby the result is satisfactory with the recommendation to further strengthen the security of the plant especially those which are critical to the country and categorised as "Sasaran Penting Keutamaan Satu".

Sustainability Statement
Governance

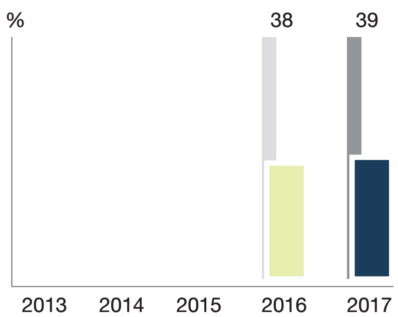
We have the responsibility to ensure a safe, secure and reliable power supply to the national grid. We achieve high plant reliability through various maintenance plans, including preventative maintenance and condition-based maintenance. Our Engineering Group manages activities in relation to Condition Based Maintenance technologies and O&M tools implementation, such as Reliability Centered Maintenance, Root Cause Analysis, Reliability Centered Spares, Risk Based Inspection, Process Safety Management, Hazard and Operability Study, forced outage management, and benchmarking in all plants. This is to ensure higher plant availability and reliability. The Group also leads and participates in failure investigations and root cause analyses to avoid recurrences. It also renders support in terms of unit and part assessments during outages or inspections related to gas turbines, steam turbines, generators, and boilers.

OPERATIONAL EXCELLENCE

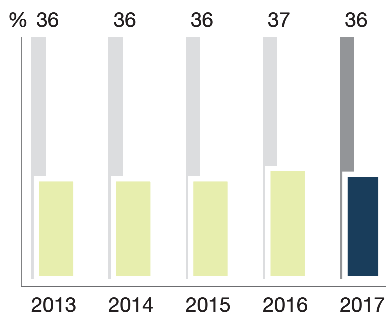
In 2017, our Engineering Department continued to lend its engineering expertise in various aspects of operations and maintenance such as risk management, failure prevention, strategic planning, and cost optimisation to achieve performance targets. It also managed the power plants' operational and performance (thermal and emissions) activities and process improvements.

For local power plants, we set thermal efficiency goals for execution and continuous monitoring, with a dedicated thermal performance monitoring program consisting of performance gap identification, remedy plans and potential risk forecasts. Periodic performance review session was conducted internally and externally throughout the year. The quarterly review identities gaps and potential operational issues. It also helps the plants to properly plan the tasks to remedy the defects and schedule the required outage. The following chart indicates the thermal efficiency among our local generating plants.

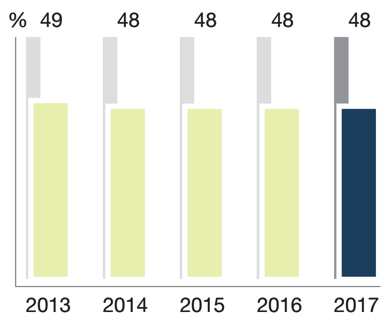
TANJUNG BIN ENERGY POWER PLANT



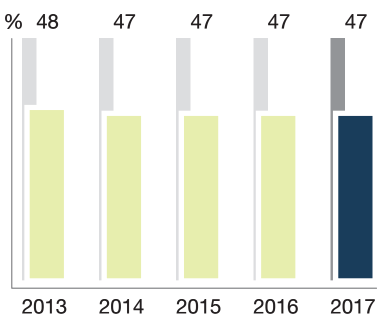
TANJUNG BIN POWER PLANT



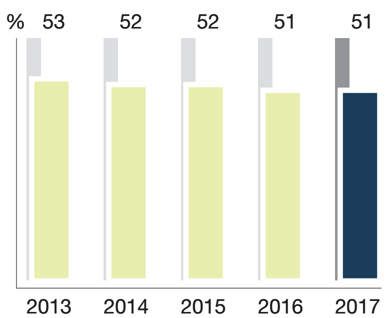
SEV POWER PLANT



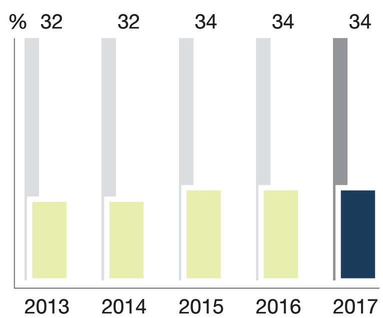
GB3 POWER PLANT



PRAI POWER PLANT



KAPAR POWER PLANT



OCCUPATIONAL SAFETY AND HEALTH

At Malakoff, we have established and implemented a comprehensive HSSE Assurance programme in accordance with the ISO 14001 and OHSAS 18001 standards. Having adopted these voluntary Gold Standards in HSSE management, we conduct due diligence studies on hazards and risks assessment; operational controls; training and competency systems; audit and verification; and various supporting programs. To date, our HSSE Assurance System has been audited extensively by SIRIM and we have been successful in maintaining our certification at all our sites within the certification scope. In 2017, we continued to implement various Occupational Safety and Health ("OSH") programs such as Malakoff HSSE Day; Road Safety Campaign; HOPe; and Take 2; mainly to promote HSSE awareness within the organisation.

In 2017, we have enhanced our OSH calculation and reporting methodologies and the following table reports the incident and fatality rates.

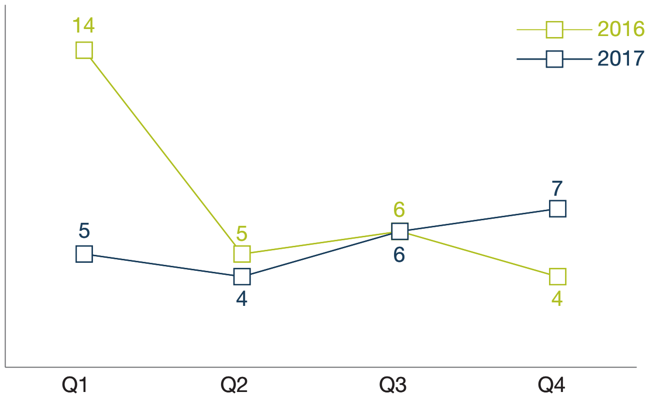
	2016	2017
Number of Incidents	29	**22**
Lost Time Injury Frequency Rate ("LTIFR")	0.16	**0.59**
Fatalities	0	**0**

As indicated in the table, the number of all safety incidents recorded reduced from 29 in 2016 to 22 in 2017. However, our LTIFR has shown an increase from 0.16 in 2016 to 0.59 in 2017. The increase was mainly due to the Lost Time Injury ("LTI") cases recorded during forced outages and major inspection at Lumut and Prai Power Plants respectively. During the period 2014 to 2017, we recorded ZERO fatalities from any work-related incidents.

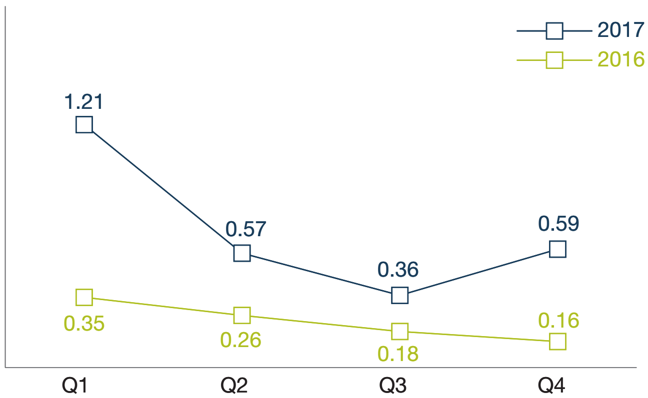
As testament to our commitment in ensuring excellence in OSH, Prai Power Plant has been awarded the prestigious National Occupational Safety and Health ("NOSH") Excellence Award 2017 for the Energy Facility category.

The award was presented by the Department of Occupational Safety and Health, a division under the Human Resources Ministry. The NOSH Excellence Award aims to recognise individuals, media, journalists and various organisations with excellent track records in its occupational health and safety practices at the workplace.

2017 vs. 2016 Performance – Total Incidents



2017 vs. 2016 Performance – LTIFR



Sustainability Statement
Governance

EFFECTIVE MANAGEMENT OF PROCUREMENT

Supply-chain management is one of the critical factors for the success and profitability of any organisation. Therefore, our procurement policies, procedures and other governing rules are benchmarked for their effectiveness with global standards such as ISO 9001, ISO 14001 and OHSAS 18001. The key principle of our procurement is transparency and regular audits help surface constructive feedback for improvement in our approach as well as the overall governance. Our procurement policies promote fairness, curbs corruption of all kinds and creates opportunities for disadvantaged and indigenous communities based on meritocracy and value-added services.

Our suppliers consist of both local and international parties. As of 2017, we observed that there were no significant changes to our main supply chain that can contribute to significant economic, environmental and social impacts.

PROMOTING SUSTAINABLE PROCUREMENT PRACTICES

In 2016, we had launched i-Valua Portal, which is an e-procurement initiative, encouraging paperless vendor registration, development and e-auction. The digitisation of procurement system helped improve the turnaround time, and significantly improved resource allocation and management. The use of portal in itself resulted into cost savings of approximately RM3.2 million.

In 2017, the Phase 2 of the e-procurement concentrated on Contract Management, Materials Management and Purchase Requisition to Purchase Order and is expected to be completed by first quarter of 2018. The Phase 2 is expected to enhance performance in addition to improving both procurement process as well as resource optimisation.

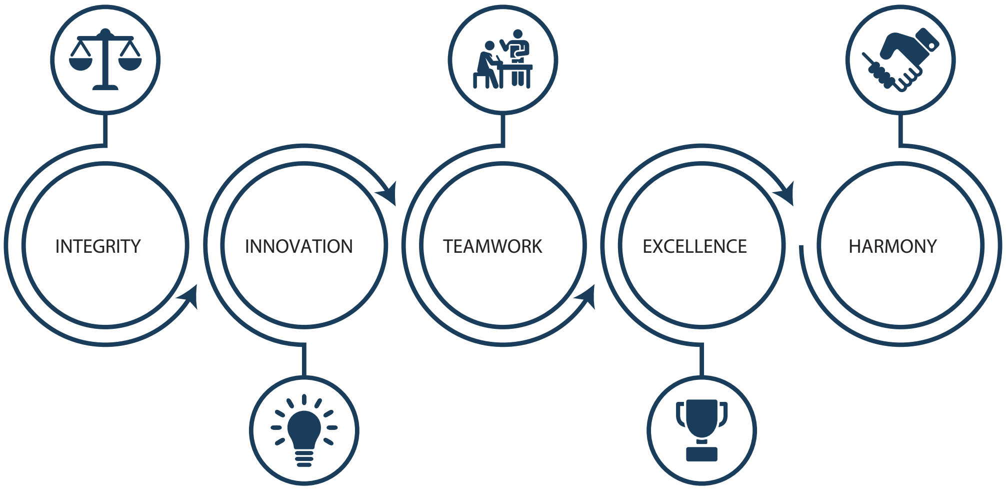
During the year under review, we also organised a Vendor Day to raise awareness on the overall portal as well as critical aspects such as Vendor Code of Conduct, Related Party Transaction ("RPT") or Recurring Related Party Transaction ("RRPT") and Vendor Whistle-blower Channel.

For 2017, a list of strategic procurement of certain services has been identified to minimise transactional procurement by introducing Service or Price Agreements with strategic partner/vendors.

Sustainability Statement
People

In aspiring to be an employer of choice, we continue to emphasise on our people as the driving force behind all growth. We promote values of integrity, teamwork, innovation, excellence and harmony, which in turn inspire a high-performance culture. We take an inclusive approach to building the capacity and skills of our employees. Towards this, we create various online and physical platforms to continuously engage with our staff, seek their feedback, understand their career and personal motivation, and most importantly, to plan their professional development with us. **This section covers our people and social strategies, including talent management, diversity and performance.**

OUR VALUES:



DYNAMIC AND DIVERSE WORKFORCE

At Malakoff, we believe that diverse skills-sets and perspectives at workplace can improve the dynamics of team work towards greater performance. Hence, our hiring policies, approaches to people development, retention strategies etc. are based on meritocracy and aim to provide equal opportunities for learning and growth. We do not discriminate employees on the basis of their ethnicity, gender, age, disability or status.

Our management philosophy is that the most appropriate way to engage with our colleagues is through direct communication rather than through intermediary organisations. Therefore, we do not practice union membership in the organisation.

In 2017, women employee constituted 16.75% of our total workforce, and nearly 4% of them hold managerial positions. Our current Board of Directors consists of directors with a diverse range of background, experience, nationality and gender.

HARMONIOUS WORKPLACE

We acknowledge the critical role of our human capital in fulfiling company's growth aspirations. We also recognise the need to build their capabilities and competencies, for them to positively contribute to both individual and organisational growth. Therefore, continuous learning and development is a priority at Malakoff to enhance productivity and optimise performance. While building internal capacity, we also strive to create a pipeline of talent necessary to meet the future needs of the organisation.

In other words, we understand the importance of attracting, developing and retaining the best technical and non-technical talent, while instiling a culture that underpins continuous growth. Therefore, by leveraging on the diverse capabilities of our leaders, we encourage cross-functional assignments within the Group. Over the years, we have demonstrated that talent mobility within the organisation through restructuring and realignment of roles can contribute to an agile and flexible workplace, serving the business needs as well as various technological advancements.

Sustainability Statement
People

As at 31 December 2017, we have 1,035 employees, working as one team to ensure Malakoff is able to operate, produce and serve at the highest levels of efficiency. The following table shows the composition of our employees:

Workforce	2014	2015	2016	2017
TOTAL NO. OF EMPLOYEES	961	1029	1074	**1035**
BREAKDOWN OF EMPLOYEES (%)				
Malaysian	99.69	99.71	99.91	**100.00**
Other Nationals	0.42	0.29	0.09	**–**
CONTRACT TYPE (%)				
Permanent	93.96	93.88	93.39	**92.06**
Contract	6.04	6.12	6.61	**7.94**
GENDER DISTRIBUTION (%)				
Male	85.33	85.23	85.66	**83.25**
Female	14.67	14.77	14.34	**16.75**
EMPLOYEES ABOVE AND BELOW AGE OF 35 (%)				
Above 35	45.47	46.36	46.09	**50.73**
Below 35	54.53	53.64	53.91	**49.27**
EMPLOYEE GROUP				
Executive and Above	668	697	703	**679**
Non-Executive	293	332	371	**356**
NO. OF NEW HIRES				
Total	88	134	97	**41**
Executive and Above	53	71	42	**16**
Non-Executive	35	63	55	**25**
Male				**38**
Female				**3**
TOTAL ATTRITION				
Total	77	67	54	**80**
Executive and Above	63	54	48	**52**
Non-Executive	14	13	6	**28**
Male				**72**
Female				**8**

NURTURING ENVIRONMENT

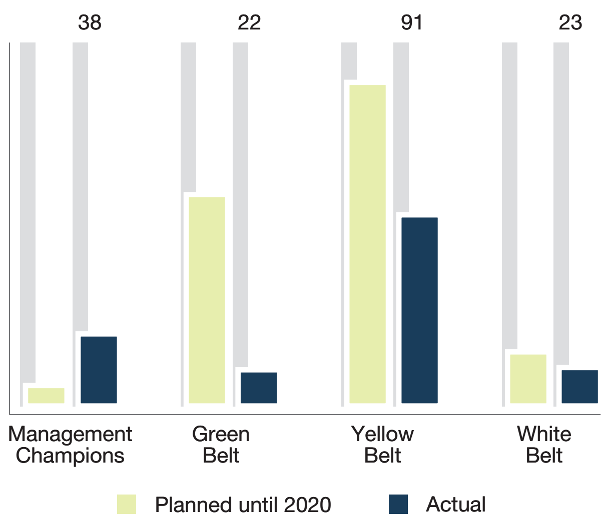
We conduct a training needs assessment for all our employees, taking into consideration their current competency levels and future career aspirations. The training and development calendar is also planned based on managerial and staff feedback from annual performance appraisals.

The 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 and perform. Hence, training and development has emerged as a formal business function to continuously improve employee's skills and productivity in ensuring the long-term success and profitability of the company.

In 2017, the Group invested approximately RM1.9 million on soft skills, technical, functional and leadership training, utilising approximately 23,000 man-hours. Considering 80% of our workforce are involved in O&M, we focused on delivering plant-specific simulator training at each of our power plants for competency improvement. We also invested on Project Management Programme ("PMP") certifications for 22 employees, of which 10 completed their beginner-level course and 12 successfully underwent the intermediate-level.

Similarly, we initiated and deployed the Lean Six Sigma ("LSS") programme for Kuala Lumpur Headquarters and Port Dickson Power Plant staff, with 24 Green Belt holders and 34 Yellow Belt holders successfully completed the programme. The LSS programme was also extended to other power plants, such as TBPP, where 56 Yellow Belt holders were nominated for training in two batches. All these interventions are positively reflected on the employees' skills, their productivity and their overall contributions at both individual and organisational level.

NUMBER OF BELTERS ATTAINED IN 2017



To date, 174 employees have successfully graduated their LSS programme at different levels, including Management Champions, Green Belts, Yellow Belts and White Belts. The above chart shows year-on-year target and achievement. Currently, 13 Black Belt holders and 54 Green Belt holders are undergoing further training, which will be completed in 2018.

With the full deployment of LSS Programme throughout Malakoff, we expect to inculcate the culture of continuous improvement within the organisation.

Besides, in 2017, we also introduced a Performance Management Communication Series, focusing on soft skills of performance management. The objective was to equip our employees and leaders with tips beyond the formal performance review process, using strategies such as communication techniques, team work dynamics. We are confident that these efforts will help align expectations and aspirations of our employees with organisational goals and vision.

EMPLOYEE WELFARE AND WELLBEING

Subsequent to our 2016 Employee Engagement survey, a working committee were set up to act as mediators between the Management and employees, mainly to facilitate new ideas and best solutions in relation to the issues that surfaced from the findings of the survey. In 2017, among various initiatives aimed at improving employee engagement, the learning spirit, the culture of giving-back to the society, and a sense of camaraderie included:

- HR2U week was organised at all our office locations in Malaysia and was aimed at raising awareness on various Human Resource ("HR") matters as well as promoting open communication between the management and staff. The idea was to provide a safe, healthy and constructive platform to express ideas, share honest feedback and discuss various issues.
- The Malakoff Sports Carnival was organised on 13 October 2017 in conjunction with the Employee Service Award celebration to inspire one-team spirit through sports. The carnival included football, golf, carom, darts, badminton, futsal, bowling, tennis and ping pong.
- The staff of Prai Power Plant initiated a donation drive for three of its staff who were affected by the flood in November 2017.
- 56 Malakoff staff participated in "YKN Run For Love 2017" organised by Yayasan Kebajikan Negara ("YKN") in December 2017. The objective of the event, held in Putrajaya, was to raise fund to aid the less fortunate in terms of health and education.

EMPLOYEE BENEFITS' UPDATE

The Group's Compensation and Benefits Policy is proposed by the Management and approved by the Board of Directors before its implementation throughout the organisation. Subsequently, our key performance indicators and its performance measurement includes both financial and non-financial goals, are based on Balance Scorecard.

Our compensation packages and benefits are fair, competitive and at par with industry standards. Our policies governing employee benefits are also streamlined across the Group, with a focus on improving staff morale, promoting work-life balance, and improving staff health and productivity. All the staff benefits are offered based on individual merit, performance and contributions to the company. At Malakoff, the employee benefits are also directly linked to attracting and retaining talent.

Our current 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 and loyalty programme.

Sustainability Statement
People

COMMUNITY INVESTMENT STRATEGY

At Malakoff, we strongly believe that our success depends on our commitment to constantly engage and understand the expectations of local communities as well as our employees. We take a long-term approach to fulfiling our responsibility as an active member and contributor to the community. Over the years, our focus has been on education and environment, especially to communities where we conduct our operations.

MEASURES TO IMPROVE LIKELIHOOD OF COMMUNITY AND JOB OPPORTUNITY

During the year under review, we kept our annual commitment to channel funds through Wakalah Zakat towards community welfare and well-being. We supported various causes, catering to the real-time needs of the community members.

We also extended our expertise for the upkeep and restoration of 24 floodlights at three tennis courts in Pontian district, with the modest contribution of RM8,000. Five personnel from TBEPP plant conduct regular maintenance as part of their contribution to Pontian community.

HIGHLIGHTS OF WAKALAH ZAKAT 2017

Donation of RM245,000 to 509 recipients in the Kukup constituency to include Asnaf Fakir and Miskin listed by Majlis Agama Islam Johor. The contribution was to assist them in their preparation for the Hari Raya celebration.

Contribution of RM50,000 to the local community at Kawasan 1, Mukim Serkat, Pontian, Johor to fulfil their religious duties and obligations during the year.

Distribution of RM52,400 for the benefits of communities of Kawasan 1, Mukim Serkat, Pontian, Johor. RM17,400 from total contribution was allocated for educational assistance for local community. Offered RM35,000 to Masjid Al-Amin Sg Dinar to procure a Van Jenazah for local community.

YOUTH EDUCATION AND DEVELOPMENT

As part of our efforts to provide educational infrastructure and assistance, in 2017, we adopted 11 schools in Segari (Perak), Prai (Penang), and Tanjung Bin (Johor). We provided financial support of RM36,500 to equip these schools with learning tools and better infrastructure.

ENVIRONMENTAL AWARENESS

Malakoff entered its sixth year of collaboration with Perak Fisheries Department to organise "Kenali Penyu, Sayangi Penyu" programme. The turtle awareness and educational programme held at Segari Turtle Management Centre ("TMC") was aimed to raise public awareness on the threats to turtles. The event brought together 120 volunteers from Malakoff, Perak Fisheries Department and local fishermen, as well as 20 students from the Institute of Marine Engineering Technology, Lumut campus of Universiti Kuala Lumpur. The volunteers participated in a gotong royong to spruce up the buildings and vicinity of TMC. They also attended an educational talk conducted by a representative from Turtle and Marine Ecosystem Centre ("TUMEC"), which highlighted the critical role that individuals can play in conserving turtles.

To sustain the efforts beyond our programme, we contributed RM13,000 for TMC's upkeep.

Sustainability Statement
Environment

"In conducting our business, we are mindful of the possible impact of our operations to the environment. Therefore, in addition to working within the limits set by various environmental laws and regulations, we are continuously exploring new green technologies and improving our processes for better management of our emissions. In doing so, within the organisation and in our circle of influence, we are committed to promote sustainable practices and behavior. **This section further documents our current environmental impacts and our approach to managing them responsibly.**"

EMISSIONS MANAGEMENT

Coal is the biggest single source of energy for electricity production globally. Considering its abundant reserves and competitive prices, coal is likely to maintain its market despite the growing concern on CO_2 emissions. Our strategy is simple. We will move towards balancing our energy-mix, which will mean shifting our focus towards renewable energy in the mid- to long-term horizon. Meanwhile, we are committed to deploy advanced and clean technologies, which help reduce the emissions significantly. For instance, most recently, we installed the highly efficient ultra-super critical boiler technology at TBEPP. As a result, TBEPP is already in compliance with the new CAR2014 regulations.

As far as emissions management is concerned, our facilities report real-time emissions data from the plant to the respective 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 our local generating facilities are directly related to fuel property and combustion process. Emissions produced by our local generating facilities are as illustrated in the chart below:

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 optimising the units' generating efficiency.

We are currently conducting an initial study on our carbon emissions, which will provide us with a baseline data for 2018 sustainability reporting, as part of our commitment towards better management of the carbon footprint.

WE TAKE VARIOUS STEPS TO REDUCE THE IMPACT OF NON-GHG EMISSIONS FROM OUR PLANTS:

We equip our facilities with:

- Filtration equipment to reduce Particulate Matter ("PM") emissions – an electrostatic precipitator and fabric filter are installed at TBPP and TBEPP respectively;
- Flue Gas Desulphurisation ("FGD") to reduce Sulfur Oxide ("SOx") emissions; and
- Stage combustion to reduce Nitrous Oxide ("NOx") emissions;
- GHG production is minimised by optimising the units' generating efficiency. We minimise the emissions from coal properties by:
- Selection of coal governed by the Coal Supply and Transportation Agreement ("CSTA"), which is a stringent process and testing to ensure the coal is suitable for the boilers and complies with the emission requirements.

We are committed to partner with the industry to pioneer sustainable solutions:

- Malakoff is also one of the participating company together with TNB Research ("TNBR") to develop the GHG emission factor for electricity sector in Malaysia.
- This initiative will help the country meet its commitment as a signatory party to the United Nations Framework Convention on Climate Change ("UNFCCC").

We are exploring diversification opportunities and strategies:

- By the year 2020, we hope to improve our energy-mix up to 300 MW of generation capacity from RE portfolio.

WATER MANAGEMENT

Our 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 during the operation. 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").

The following table shows the total raw water consumption according to plant, as recorded in the monthly water bill as metered by the respective state water supply companies:

Power Plant	2015 (m^3)	2016 (m^3)	2017 (m^3)
Prai	143,364	201,565	**212,433**
Lumut	534,199	513,159	**275,076**
Tanjung Bin	1,696,600	1,995,067	**1,631,673**
Tanjung Bin Energy	–	720,902	**379,528**
Total	2,374,163	3,430,693	**2,498,710**

At our TBPP plant, the management of ash pond water has reduced raw water consumption by 20% in raw water costs per annum, while ensuring environmental compliance (e.g., ash pond water level). In addition, the TBPP plant also has a rainwater harvesting system, which is used for general cleaning purposes around the plant area.

WASTE MANAGEMENT

We recognise the risks from coal ash disposal from our coal-fired power plants and therefore, we have a coal ash disposal procedures, helping us to manage our ground, water or air contamination. In 2017, both TBPP and TBEPP coal-fired plant with the combined generation capacity of 3,100 MW produced about 42,000 metric tonnes of Fly Ash and 8,000 metric tonnes of Bottom Ash every month.

All Fly Ash generated was sold to cement and concrete producers to produce pulverised fuel cement and concrete. Whereas, Bottom Ash is stored in the Ash Pond located inside the plant complex and this is being regularly assessed on its condition and safety aspects. During the year, our process improvement initiatives and clean technology deployment resulted in cost savings of approximately RM642,000 by way of combustion optimisation.

In addition, the internal waste (domestic waste) and internally generated scheduled waste such as used lube oil, distillate and contaminated solid waste are collected by appointed domestic contractors and sent for either landfill or incineration for disposal.

In 2017, TBEPP in collaboration with DOE Johor took the initiative to collect all electronic waste (e-waste) such as unused batteries and mobile phones from the project and sent them for proper disposal.

ENVIRONMENTAL MANAGEMENT PLAN ("EMP")

We have implemented EMP at all our operating sites to continuously monitor and assess the environmental impact of our plant operations. In 2017, 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).

In 2017, there were no record of significant spills on any of our local power plants which would harm the environment in the areas that we operate.

We have also embraced the Guided Self-Regulation ("GSR") in our daily operations. GSR was introduced by DOE in 2016 to develop an industrial society with environmental excellence. Based on the environmental mainstreaming tools recommended, we have already deployed safety and environmental monitoring systems. With GSR, we are better equipped and more competent to manage our environmental impacts going forward.

Sustainability Statement
Environment

SUSTAINABILITY FRAMEWORK: WAY FORWARD FOR THE COMPANY

We are in the early stage of mapping our sustainability aspirations with business priorities. However, our Board of Directors as well as the senior management are committed to make real-time progress as far as embedding sustainability in our day-to-day operations is concerned. We understand that it will require a behavioural change at organisational level; a strategic shift at business level from shareholders' profitability to stakeholders' welfare.

The ESG risks to our business will be more pronounced as we grow, and we will continue to mitigate such risks by applying principles of good governance, sound management policies and sustainable principles for investments and in operations. On the economic front, our aspiration is to improve our energy mix towards supporting the aspiration of the government to significantly reduce emissions and move towards clean energy alternatives. We will also optimise cost structures, improve our operational efficiencies through innovative ideas and technology, and help enhance the economic benefits to both our business and the people in our value chain.

Our social impact is inherent in our business proposition, which is to provide power and water solutions, which is a catalyst for a sustainable industry, that in turn contributes to socio-economic development of people. Besides, we continuously support the development of our people through equitable policies, learning and development opportunities and partnerships for community welfare and well-being.

Our aspiration for 2018 is to devise a Sustainability Framework for Malakoff, with specific programmes and targets to manage ESG risks and opportunities for positive economic, social and environmental impact.

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Corporate Events Highlights


05 March


24 March

01 April

19 April

22 April


28 April


28 April


06 May

25 May


25 May

MARCH

05 March 2017
Johor MB visits Malakoff's Masjid Sungai Dinar, Pontian, Johor

24 March 2017
Friendly football match against Energy Commission

APRIL

01 April 2017
Malakoff-KeTTHA Ride from Pulai Spring Resort to Tanjung Bin Power Plant

19 April 2017
Malakoff 11th Annual General Meeting

22 April 2017
Malakoff joins e-waste programme during Earth Day celebration

28 April 2017
Malakoff sponsors umrah packages for two young cancer patients

28 April 2017
Malakoff supports community in Pontian Glow Run

MAY

06 May 2017
Futsal tournament with KeTTHA, Energy Commission and Economic Planning Unit ("EPU")

25 May 2017
Malakoff Turtle Awareness programme in Segari, Perak

25 May 2017
Launching of Malakoff Lean Six Sigma Programme

19 June

19 July

20 June

17 July

11 August

06 July

18 July

18 August

JUNE

19 June 2017

Handover of Wakalah Zakat to DUN Kukup recipients

20 June 2017

Malakoff signs Corruption-Free Pledge

JULY

06 July 2017

Aidilfitri celebration at Malakoff KL HQ

17 July 2017

Aidilfitri celebration at Port Dickson Power Plant

18 July 2017

Aidilfitri celebration at Prai Power Plant

19 July 2017

Aidilfitri celebration at Lumut Power Plant

AUGUST

11 August 2017

Futsal tournament with New Straits Times, Berita Harian and Harian Metro

18 August 2017

Friendly football match against KeTTHA

Corporate Events Highlights

14 September

20 October

21 October

29 September

14 October

20 October

22 October

SEPTEMBER

14 September 2017

Lumut Power Plant participated in National Firefighting and Rescue competition

29 September 2017

Malakoff hosts friendly bowling tournament with KeTTHA, Energy Commission

OCTOBER

14 October 2017

Malakoff celebrates long-serving staff in Long Term Service Award

20 October 2017

Football players with winning trophy in Malakoff-TNB friendly football

20 October 2017

Friendly netball match against TNB

21 October 2017

Friendly bowling tournament with TNB

22 October 2017

Launching of Hari Alam Sekitar Negara 2017 in Segamat


30 November


15 December


15 December


16 December


02 December


26 December

NOVEMBER

30 November 2017

Ex Power Tanjung Bin 2017 simulation exercise

DECEMBER

02 December 2017

Karnival Sukan Rakyat with Mukim Serkat community

15 December 2017

Ceramah Perdana at Masjid Khairul Jariah, Segari

15 December 2017

Ceramah Perdana at Masjid Al-Amin Sungai Dinar in Serkat, Johor

16 December 2017

Karnival Sukan Rakyat with Segari community

26 December 2017

Handover of Wakalah Zakat for education asssitance and hearse to Mukim Serkat community

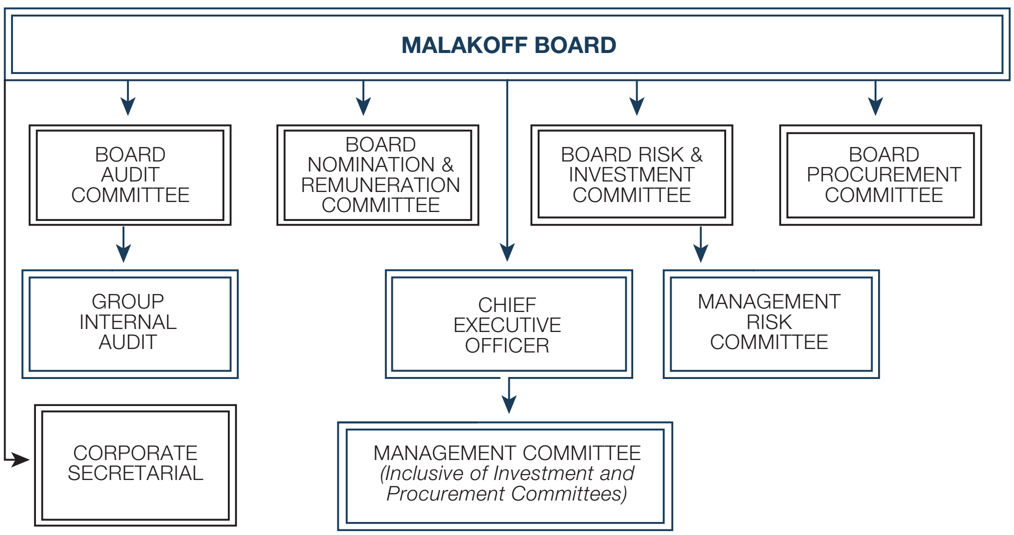
Corporate Governance Overview Statement

This corporate governance overview outlines the corporate governance framework, policies and practices which have been adopted by the Board of Directors ("**Board**") of Malakoff Corporation Berhad ("**Malakoff**" or "**Company**") during the financial year 2017 to be in line with the Company's Constitution, Malaysian Code on Corporate Governance ("**MCCG**") 2017, where possible, and the applicable laws to be a dynamic framework within which the Company would conduct its business.

The Board of Malakoff takes due cognisance of the application of the principles of good corporate governance and Board's responsibilities as described in the MCCG 2017. The Board believes that best practice corporate governance standards are essential for enhancing the Company's opportunities in the power and water industry and for the long-term sustainability of its businesses.

This corporate governance overview has been made as at 8 March 2018 and was approved by the Board on even date. It sets out a summary of the Company's corporate governance practices during the financial year with reference to the three principles of MCCG 2017, its key focus areas and future priorities in relation to the corporate governance practices.

The Company's governance framework is as illustrated below:-



PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

a) Principal responsibilities and functions of the Board

The Malakoff Board comprises ten (10) non-executive Directors, who are responsible for the governance of the Company as well as the overall strategy and business direction of the Malakoff Group in line with the Company's vision and mission. It sets strategic aims for the Company and provides guidance to the management with regard to the Group's strategic planning, business conduct, risk assessment and management, investment and divestment policy as well as financial and operational management activities.

The Board safeguards the interests of the Company and fosters sustainability value creation while taking into account the interests of its shareholders, customers, employees, community and other stakeholders.

Practice 1.1 - The Board should set the Company's strategic aims, ensure that the necessary resources are in place for the Company to meet its objectives and review management performance. The Board should set the Company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

(i) Group's 5-year Business Plan

In relation to the above principle, the Board and the management had during the year met at its annual strategy engagement session to set the Group's 5-year business plan and to develop long and short-term strategies including annual capital and revenue targets for the ensuing four (4) years.

At the said meeting, industry analysts were invited to brief the Board on the global shift in the industry, new market trends and how Malakoff could compete in global scene. The industry analysts had also provided insights to the Board on emerging markets in which it could explore to plant its foothold.

The key takeaways from this session are taken into consideration in the Group's strategies and 5-year business plan. For this year, the Board had emphasised on close monitoring of the progress of the implementation of Group's business strategies. This will ensure success in the execution of the business strategies as alternative plans could be activated if gaps are detected in the strategies at an early stage.

The above strategy session had also provided the platform to set the Board's expectations on the strategic direction it wishes the management to execute. It had also yielded an open dialogue between the Board and the management for the exchange of ideas and constructive feedback so that an achievable and realistic business plan was developed for execution by the management.

(ii) Corporate Key Performance Indicators ("KPIs") of the Group

Upon approval of the business plan, the Board had also approved the Group's Corporate KPIs for 2018 with specific quantifiable targets for the Chief Executive Officer ("**CEO**")'s execution. The CEO's Corporate KPIs are thereafter cascaded to the Management Committee members and his direct reports for execution.

Through the assigned weightages to each key result areas of the KPIs, the management is guided on where its focus and resources should be directed in order to maximise potential of achieving the targets set in the business plan.

Corporate Governance Overview Statement

I. BOARD RESPONSIBILITIES (CONTINUED)

a) Principal responsibilities and function of the Board (continued)

(ii) Corporate Key Performance Indicators ("KPIs") of the Group (continued)

In addition to providing strategic direction, the Board also assumes, amongst others, the following duties and responsibilities:-

(i) oversee and evaluate the conduct of business of the Company and the Group;

(ii) review and ensure that transaction entered into with a related party is fair, reasonable and not to the detriment of minority shareholders;

(iii) identify principal risks and ensure implementation of a proper risk management system to manage such risks;

(iv) establish a succession plan;

(v) develop and implement a shareholder communication policy for the Company; and

(vi) review the adequacy and the integrity of the management information and internal control systems of the Company and the Group.

There are four (4) standing committees which the Board had delegated its authority to assist in reviewing and monitoring the above functions. These committees are the Board Audit Committee ("**BAC**"), the Board Nomination and Remuneration Committee ("**BNRC**"), the Board Risk and Investment Committee ("**BRIC**") and the Board Procurement Committee ("**BPC**").

Practice 1.2 - A Chairman of the Board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board is appointed

Practice 1.3 - The positions of Chairman and CEO are held by different individuals

b) Responsibilities of the Chairman and CEO

The Board had elected a Chairman from amongst the members of the Board who is a Non-Executive Director. As recommended by MCCG 2017, the roles of Chairman and the CEO are held by two (2) different individuals, where each of their responsibilities are clearly divided and described in the Company's Board Charter.

During the year, Datuk Haji Hasni Harun was appointed as the Company's Independent Non-Executive Chairman filling a casual vacancy arising from the resignation of the Company's former Chairman on 20 June 2017. As the Chairman, he provides leadership and guidance to the Board and is responsible for ensuring effectiveness of the Board's performance. The Chairman presides over the Company's Board meetings and general meetings and acts as a facilitator at Board meetings to foster effective and constructive deliberations by Directors 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. Further details of the Chairman's roles and responsibilities are spelt out in the Board Charter of the Company which is available on the Company's website at http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf.

Whilst the Board oversees the Group's strategic plan and direction, the CEO of the Company, Dato' Ahmad Fuaad Mohd Kenali, who was appointed during the year to replace the Group Managing Director who resigned on 30 June 2017, would provide stewardship of the Group's direction and the day-to-day management of the Group. He is accountable to the Board for the overall organisation, management, human resources as well as financial and operational matters. The CEO together with the Management Committee members manage the business of the Group in accordance with the business plan, instructions and directions of the Board, and implement the Group's policies and procedures. The CEO's financial authority is explicitly provided in the Group's approved Limits of Authority ("**LOA**").

I. BOARD RESPONSIBILITIES (CONTINUED)

Practice 1.4 - The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

c) Company Secretaries

The Board is supported by two (2) qualified and experienced Company Secretaries who advise the Board on updates and application of the rules and regulations for the conduct of the affairs of the Board and to ensure that the Company is in corporate compliance to the relevant regulations. The Company Secretaries are accountable to the Board through the Chairman on all corporate governance matters and matters pertaining to proper functioning of the Board in accordance with the Board Charter and best practices. The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

Other responsibilities of the Company Secretaries are briefly described as follows:-

(i) coordinate the induction of new Directors with the management;

(ii) facilitate the professional development of all Directors on an ongoing basis;

(iii) identify suitable development programmes for Directors with the Chairman;

(iv) organise and attend all Board, Board committees and general meetings and to ensure that the meetings are properly convened;

(v) prepare and maintain records of the proceedings of meetings and resolutions passed by the Board, the Board committees and shareholders;

(vi) facilitate the review of material proposals by the Chairman with the management prior to Board meetings to promote effective conduct of the meetings and enhance Board communication;

(vii) disseminate the Board decisions/instructions to the respective persons in charge to act upon;

(viii) serve as focal point for stakeholders' communication and engagement on corporate governance issues; and

(ix) maintain the Company's statutory records at the registered office of the Company and to make available for inspection, if required.

The periodic updates received from Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"), the Securities Commission, the Companies Commission of Malaysia and any other relevant regulatory bodies, have been provided to the Board periodically and is included as a permanent agenda for the Board's discussion and notation at its meetings.

I. BOARD RESPONSIBILITIES (CONTINUED)

Practice 1.5 - Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner

d) Board Meetings

The Board convened thirteen (13) meetings during the financial year 2017 and the attendance of all Board members is set out in the table below:

Name of Directors	No. of meetings attended
Datuk Haji Hasni Harun *(appointed as Chairman on 20 June 2017)*	4 of 4
Dato' Sri Che Khalib Mohamad Noh	13 of 13
Datuk Ooi Teik Huat	12 of 13
Cindy Tan Ler Chin	11 of 13
Datuk Dr. Syed Muhamad Syed Abdul Kadir	13 of 13
Datuk Idris Abdullah	12 of 13
Dato' Wan Kamaruzaman Wan Ahmad	9 of 13
Kohei Hirao	11 of 13
Datuk Seri Johan Abdullah *(appointed as Director on 29 May 2017)*	4 of 5
Datuk Rozimi Remeli *(appointed as Director on 16 October 2017)*	2 of 2
Tan Sri Dato' Seri Syed Anwar Jamalullail *(resigned as Chairman and Director on 20 June 2017)*	9 of 9
Datuk Wira Azhar Abdul Hamid *(resigned as Group Managing Director on 30 June 2017)*	9 of 9
Datuk Muhamad Noor Hamid *(resigned as Director on 31 August 2017)*	9 of 11
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff *(resigned as Director on 16 October 2017)*	11 of 11

To facilitate effective Board discussion, the Company Secretaries strive to circulate the agenda of meetings and meeting materials at least five (5) business days prior to date set for meetings, to provide sufficient time for the Directors to prepare for the Board meetings. Soft copies of meeting materials will be sent via electronic mail to the Directors to facilitate the above, when necessary, followed by circulation of physical copies. The Company Secretaries will ensure that relevant proposals or update papers are submitted to the Board or Board committees, where applicable, for their information and review.

I. BOARD RESPONSIBILITIES (CONTINUED)

d) Board meetings (continued)

All deliberations and decisions made at the Board meetings are recorded by the Company Secretaries including whether any Directors abstained from voting or deliberating on a particular matter. Minutes of the meeting are circulated to the Board and the management for review and comments in a timely manner before the minutes of the last Board meeting are confirmed at the next Board meeting.

The timely circulation of materials to the Board and the process taken to ensure that minutes reflect the correct proceedings of the meeting are included in the Corporate KPIs of the Corporate Secretarial Department.

Practice 2.1 - The Board has a Board Charter which is periodically reviewed and published on the Company's website. The Board Charter clearly identifies:-

- **the respective roles and responsibilities of the Board, Board committees, individual Directors and management; and**
- **issues and decisions reserved for the Board**

e) Board Charter

The Board Charter was recently revised and approved by the Board on 21 February 2018 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by MCCG 2017, where possible or relevant. The Board reviews the Board Charter periodically, when necessary, to ensure it remains relevant and effective at the prevailing time and business environment.

The Board Charter clearly sets out the functions, responsibilities, and processes of the Board and ensures that all Board members are aware of their roles and duties. In order to ensure that the direction and control of the Group are in the hands of the Board, it had adopted a formal schedule of matters reserved for the Board's deliberation and decision which is set out in the Board Charter. These reserved matters relate to Board structure, terms of remuneration, Company and Group's operations, financial and other matters as provided by the laws and/or under the Company's LOA.

In addition, the Board Charter also sets out the terms of reference of the Board committees as well as the roles and responsibilities of the CEO, the Chairman, the Independent Directors ("IDs") and non-IDs as well as the company secretaries.

Practice 1.1 - The Board should set the Company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met

Practice 2.1 - The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company

I. BOARD RESPONSIBILITIES (CONTINUED)

Practice 3.2 - The Board establishes, reviews and together with management implements policies and procedures on Whistle-blowing

f) Code of Conduct and Ethics (“Code”) and Whistle-blowing Policy

The Company maintains a Code that applies throughout the Group demonstrating its commitment to doing business responsibly and ethically. It serves as a guide for the employees to work and make decisions confidently and in a manner that supports the Company’s vision and values. The Code helps the Company achieve the right things in right manner at all times, in areas such as managing conflict of interest, preventing abuse of power, corruption, insider trading and money laundering.

The following principles guide our employees in their dealings with the Group, customers, vendors, suppliers, contractors and other internal and external parties:-

a) **HONESTY:** avoid hiding the truth;

b) **INTEGRITY:** avoid situations where the personal interests of employees appear to be in conflict with the interest of Malakoff Group;

c) **LEADERSHIP:** avoid abuse or misuse of the employees’ position in the Company;

d) **PROFESSIONALISM:** maintain secrecy when dealing with confidential information obtained in the course of employment and do not disclose or use such confidential information for personal advantage;

e) **LOYALTY:** avoid jeopardising the reputation of the Company;

f) **RESPONSIBILITY:** disclose and seek clarification from relevant persons in the Group whenever in doubt or whenever ethical concerns arise;

g) **TRUSTWORTHINESS:** avoid misuse of the Company’s resources or assets for personal gain; and

h) **PERSONAL CONDUCT:** conduct or behave in any manner at any place and time that does not bring disrepute to the Group.

All employees are required to adhere to the Code by signing a declaration, which is made available on the Company’s Intranet and is accessible by all employees.

Any non-compliance with the Code is to be reported to the Heads of Department/Division or Human Capital Division, and will be investigated. Upon confirmation of non-compliance, the matter will be brought to the Disciplinary Committee for further deliberation and decision.

In addition to the Code, a Whistle-blowing Policy was also established by the Board in 2014 which provides an avenue for employees and third parties dealing with the Company to disclose cases of improper conduct such as criminal offences, fraud, corruption, breach of Group Policies and Code of Conduct or other malpractices.

Any disclosure of improper conduct can be made orally or in writing to the Chairman of the BAC through a letter or e-mail to whistleblowing@malakoff.com.my. A Whistle-blower is assured confidentiality of identity to a reasonable practicable extent. This includes protecting the Whistle-blower from detrimental action that may result from the disclosure of improper conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy also serves to ensure fair treatment is provided to both Whistle-blower and the alleged wrong-doer when a disclosure of improper conduct is made. The salient terms of the Whistle-blowing Policy are made available at the Company’s corporate website.

I. BOARD RESPONSIBILITIES (CONTINUED)

f) Code of Conduct and Ethics ("Code") and Whistle-blowing Policy (continued)

During the year, a revision to the Whistle-blowing Policy was made to further enhance the effective implementation of the Policy. The involvement of the BAC Chairman at the onset of the reporting channel will provide added assurance to Whistle-blowers that the implementation of the Whistle-blowing Policy will be properly followed and escalated to the Board. The Board believes that the above conditions will provide the needed comfort and encourage Whistle-blowers to report their complaints with confidence and without fear of undue repercussions. The Board had also adopted its own Code of Ethics which is set out in the revised Board Charter that is available on the Company's website.

II. BOARD COMPOSITION

Practice 4.1 - At least half of the Board comprises Independent Directors ("ID"). For Large Companies, the Board comprises majority IDs

a) Board independence

At the date of this statement, the Malakoff Board consists of six (6) Non-Independent Non-Executive Directors ("**NIEDs**") and four (4) Independent Non-Executive Directors ("**INEDs**") including the Chairman. During the year, a new Independent Non-Executive Chairman was appointed whilst the Board also welcomed two (2) new members who are Non-Executive Directors ("**NED**"). An overview of the background and experience of each Director of the Company is set out on pages 20 to 25 of the Annual Report 2017.

The Board continued to maintain four IDs which meets the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia of at least three (3) Directors or one-third (1/3) of the total Board members, whichever is higher, to be independent. The diverse personalities of the Board members continues to enable the Board to effectively discharge its duties and responsibilities to meet the demands of Company's businesses. 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 (1/3) ratio of IDs on the Board will ensure that the interests of the minority shareholders are also protected.

The Board acknowledges Practice 4.1 of the MCCG 2017 that suggests a "Large Company" such as Malakoff to have majority IDs on the Board. The Board has regarded the current Board composition to be effective in decision making at the Board level where independent deliberation is upheld with the presence of four (4) IDs at Board together with three (3) nominee Directors of the Company's substantial shareholders which are statutory bodies managing funds belonging to the general public. The views and deliberations of these Board nominees are usually aligned to safeguard public interest and this had brought independence and objectivity to the Board deliberations.

Given the dynamics of Malakoff's Board composition, it had managed to garner independent views at the Board meetings from the majority of its Directors, that is, seven (7) out of ten (10) Directors, despite not meeting the required numbers in its expected form recommended by this principle. As the current measure had to a certain extent met the intended outcome, the Board has not ascertained the timeline for having majority IDs on its Board for the time being.

Practice 4.2 - The tenure of an ID does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an ID may continue to serve on the Board as a non-ID. If the Board intends to retain an ID beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the ID after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

II. BOARD COMPOSITION (CONTINUED)

a) Board independence (continued)

Practice 4.3 - Step Up - The Board has a policy which limits the tenure of its IDs to nine years

Currently, none of the IDs have served the Company for more than nine years since the listing of the Company in May 2015. The nine-year term will be due in May 2024. In view thereof, the Company had not adopted the policy for IDs to have cumulative term limit of nine years and should thereafter serve as non-IDs of the Company. Since none of the IDs of Malakoff's Board have reached a nine-year tenure, the Company will consider a policy when the Company's IDs reach their 9th year term as mentioned above.

Practice 4.4 - Appointment of Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

b) Board and Management Diversity

In order to keep abreast with the changing environment that the Company operates, the Board recognises that it should have Directors with a diverse range of appropriate skills and experience, which could bring value to Board's decision and where matters are viewed from all angles. Since the adoption of a diversity policy on 21 November 2016, the Board endeavours to maintain a Board with a broad range of industry, financial, technical, legal and stakeholder related experience relevant to overseeing the energy and water business which is undergoing evolution and transformation.

With the new appointment of three (3) Directors on Board during the year, the Board seeks to maintain a Board which collectively have the following:-

(i) experience in electricity and water business that is relevant to the Group's strategy on its core business;

(ii) financial acumen that could assess and analyse the quality of financial controls, financial statements and performance, corporate finance, capital management and funding arrangements;

(iii) knowledge and experience in best practice governance structures, policies and processes, risk and compliance frameworks; and

(iv) legal knowledge and experience to assist the Board on any legal issues to be considered by the Board.

The relevant skills and experience based of the current Board members are set out in the Board skills matrix below. This matrix has been used by the Board to assess the required Board composition especially on selection and recruitment of future Directors. The Board also consider diversity when it recruits members of senior management.

Skills & experience	No. of Directors
Accounting	3
Business Administration	3
Economics	2
Legal	1
Technical	1

II. BOARD COMPOSITION (CONTINUED)

b) Board and Management Diversity (continued)

The diversity in the race/ethnicity (cultural background), nationality, age and gender in the Board and management are as follows:-

	Race/Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreigner
Directors	7	2	0	1	9	1
Management	7	1	0	0	8	0

	Age Group			Gender	
	40 – 49	50 – 59	60 years and above	Male	Female
Directors	0	4	6	9	1
Management	5	3	0	7	1

Practice 4.5 - The Board discloses in its annual report the Company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the Board must have at least 30% women Directors.

In respect of gender diversity, the Company has one (1) woman Director on the Board, short of two (2) from the recommended three (3) by MCCG 2017, where it encourages Large Companies, such as Malakoff to have 30% women Directors on its Board. The appointment of Directors on the Malakoff's Board was made after objective and thorough assessment by the BNRC that he/she have the appropriate skills and experience required to contribute to an effective Board, before their appointments are recommended to the Board.

The BNRC considers the current Board skill mix and composition to have been effective in meeting the business demands of the Group. The BNRC had always placed priority for new Directors joining the Board to have the required skills and competence to contribute to an effective Board above all other factors considered for appointment of Directors. As the current Board composition had been effective, the Board will consider the appointment of women Directors as and when there is a casual vacancy.

Practice 5.1 - The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual Director. The Board should disclose how the assessment was carried out and its outcome.

For Large Companies, the Board engages independent experts periodically to facilitate objective and candid Board evaluations.

c) Board Evaluation

The Board through the BNRC carries out a yearly Board assessment exercise to evaluate the appropriateness of the Board and Board committees in terms of its size and composition as well as effectiveness. The evaluation is carried out through the feedback obtained from its Board members. Independence of each IDs of the Company is annually assessed to determine that each ID is/was independent throughout the year.

The Board evaluation is based on a combination of self and peer assessment by Board members via customised questionnaires. The Board's responses will be collected and collated by the Company Secretaries on behalf of the BNRC.

II. BOARD COMPOSITION (CONTINUED)

c) Board Evaluation (continued)

This year's evaluation, as in the year before, was facilitated by an independent consultant. This interview session conducted by the independent consultant with Directors serves as a moderation exercise to understand the responses made by Board members in their questionnaires and to discuss in confidence, the improvements which they would like to see to increase the Board's effectiveness and cohesiveness. This feedback would then be discussed with the BNRC Chairman and included in the findings and results of the said evaluation exercise. The BNRC upon discussion of the results will present the findings to the Board.

Arising from the findings of the Board evaluation, the Board members will amongst others, understand the gaps in their respective skill matrix and with the assistance of the Corporate Secretarial department, undergo the necessary trainings and continuous improvement programmes. This will enhance their knowledge and skills so that they can contribute effectively as Board members and to keep themselves abreast of the environment in which the business operates.

Practice 4.6 - In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing Board members, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.

Practice 4.7 - The Nominating Committee is chaired by an ID or the Senior ID.

Practice 4.8 - The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual Director. The Board should disclose how the assessment was carried out and its outcome. For Large Companies, the Board engages independent experts periodically to facilitate objective and candid Board evaluations.

d) Board Nomination and Remuneration Committee

Nominating Matters

The BNRC was re-constituted as a merged committee of the nominating and remuneration committees of the Board on 23 November 2015 and its authority and duties are contained in its terms of reference, which are available on the Company's website.

The BNRC is chaired by Datuk Haji Hasni Harun, an Independent Non-Executive Chairman with the support of three (3) other NEDs, two (2) of which are IDs. The majority of the BNRC members are IDs. The BNRC held nine (9) meetings during the financial year under review.

The Chairman of BNRC continues to lead the BNRC to assist the Board in fulfilling its responsibilities through the appropriate review of new appointment to the Board, Board composition, Board Charter and policies of the Board composition, Board evaluation process, Board and senior management remuneration and succession planning for NED as well as senior management. It is responsible to recommend the candidates for Chairman, Directors, Executive Directors (if any), CEO and the senior management of the Group by considering the prospective candidates' character, experience, competence, integrity and time commitment, as prescribed by Paragraph 2.20A of the MMLR of Bursa Malaysia.

During the year, the BNRC reviewed and recommended to the Malakoff Board, three (3) new appointments to the Board including the position of Chairman.

II. BOARD COMPOSITION (CONTINUED)

d) Board Nomination and Remuneration Committee ("BNRC") (continued)

Recommendation on appointment of new Directors and the CEO

During the year, the BNRC had considered and recommended the appointments of three (3) new Directors and the CEO. These candidates were based on recommendations of the major shareholders of the Company.

In the highly specialised industry that the Company operates, the candidates of Directors and the CEO from an independent source might not yield the expected result of bringing suitable candidates to meet the needs of the Company and the expectations of the Board. The reliance of candidates from the Company's shareholders who better understand the needs and complexity of the Company had enabled the recruitment of suitably experienced Directors and CEO during the year, to complement the current Board members and lead the senior management respectively. Moreover, the recommendation of appointment of Board members and CEO are objectively reviewed by the BNRC which members comprised majority of IDs.

The Board considers candidates from all sources including independent sources so long as it is able to recruit quality and suitable Directors to complement the existing Board composition.

Assessment of suitability of Directors and senior management to comply with Paragraph 2.20A of the MMLR

The BNRC, in assessing the suitability of the above individuals as new Board members and CEO would take into consideration the candidates profiles and career experience to assess whether the appointments could meet the diversity profile of the Company in terms of age, race, gender as well as their educational background and area of discipline. The BNRC had also considered whether the independence requirement of the Board with the MMLR and the MCCG 2017 remained intact with the new appointments.

During the year, the BNRC had also recommended the appointment of the CEO. In assessing the suitability of the CEO, the BNRC Chairman had met with the potential candidate to personally assess his character, experience, integrity and competence for the role. Having satisfied that he possessed the above traits, the Chairman of BNRC together with other members of the BNRC reviewed his career journey and experience and after having satisfied with his qualification, experience and character, recommended his appointment to the Board.

During the year, the BNRC had also assessed the suitability of two (2) Senior Management personnel namely the Chief Financial Officer and the Senior Vice President of Corporate Services Division, who joined the Company as part of corporate structure reorganisation to strengthen its business strategy execution. Both these candidates were considered after receiving favourable referrals by fellow Directors who had experience working with them. The BNRC had also considered and reviewed their career experience before recommending their appointments to the Board.

Nomination of the senior management as nominee Directors on subsidiaries and associate of the Group

The BNRC, under its Terms of Reference, had also reviewed and recommended the nomination of the members of senior management for approval of the Malakoff Board to be the nominee Directors representing Malakoff's interest in both local and overseas subsidiaries and associates. Their nomination on these boards were matched against their skills and scope of responsibilities against the nature of business of the affected subsidiaries and associate companies. During the year, the BNRC had requested that second and third liners of the Management to be considered as part of pool for selection for nomination as the Company's nominees for purposes of training and exposure. This exercise will also ensure that the senior management have a balanced portfolio of directorships in the Group as well as providing exposure to talented members of Management.

I. BOARD COMPOSITION (CONTINUED)

d) Board Nomination and Remuneration Committee ("BNRC") (continued)

<u>Evaluation of Directors standing for re-election.</u>

Newly appointed Directors and Directors who are subject to rotation are required to stand for re-election at the next annual general meeting pursuant to the Company's Constitution. During the year, the BNRC had deliberated and recommended the Directors proposed for re-election before the same is tabled for the Board's approval. Their re-election is supported by peer review assessment on their performance for the year under review.

Information about each Director standing for re-election including details of their skills, experience and their committee membership is provided in the notice of annual general meeting for shareholders' information.

Other key activities of the BNRC for the year in relation to nomination matters were summarised as follows:-

(i) set the Corporate KPIs for the Group;

(ii) recommended the corporate reorganisation to strengthen the Company's business strategy execution;

(iii) recommended the Board tenure policy for IDs of Malakoff for succession planning of the Company's IDs;

(iv) reviewed the skills, experience, expertise, diversity and attributes required for the Board to discharge its duties effectively. This includes selection of suitable Board members to be appointed on the standing Board committees of the Company;

(v) engaged external consultants to facilitate the conduct of performance review of the Board, Board committees and individual Directors; and

(vi) ensure that an effective Board induction process is in place for the new Director's benefit.

<u>Practice 6.1 - The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the Company's website.</u>

<u>Practice 6.2 - The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management.</u>

<u>The Committee has written Terms of Reference, which deals with its authority, and duties and these terms are disclosed on the Company's website.</u>

III. REMUNERATION

Remuneration Matters

The Board has established and maintained 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, CEO, and the Senior Management. The remuneration policies set out an objective remuneration structure for Directors of the Company and the Group, CEO and the Senior Management and enables periodic review of the remuneration packages by the BNRC for Board's recommendation.

The BNRC reviews the overall remuneration policy of the NEDs, CEO and Senior Management. The remuneration policy is aimed at attracting, retaining and motivating 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 NEDs and of the CEO and the Senior Management.

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

(i) the remuneration structure is sufficient to attract and retain suitable individuals needed to run the Company successfully at the Board as well as the Senior Management levels;

(ii) rewards are based on the Company's and individual performances, responsibilities, expertise and complexity of the Company's activities;

(iii) the interests of Directors, Senior Management and our stakeholders are aligned with the business strategy and long-term objectives of our Company; and

(iv) comparative information obtained from independent remuneration sources within the industry.

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, 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. 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 take into account fees levels and trends for 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, Chairman of a Board committee or as the senior ID.

Their remuneration packages are benchmarked against the market once every three (3) years to ensure that their remuneration packages remain competitive and relevant. The last review exercise was made in 2016 and will be due next year.

The key activities of the BNRC for the year in relation to the remuneration matters were summarised as follows:-

(i) recommended the bonus pool for the Group based on the achievement of the Corporate KPIs and the annual salary increment and bonus quantum for the Group as well as the CEO and his target group;

(ii) recommended the salary package of the CEO;

(iii) recommended the salary package for the two (2) new Senior Management personnel who joined the Company; and

(iv) recommended the policy for the acting allowance for the CEO.

III. REMUNERATION (CONTINUED)

Practice 7.1 - There is detailed disclosure on named basis for the remuneration of individual Directors. The remuneration breakdown of individual Directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Practice 7.2 - The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Practice 7.3 - Step up: Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Details of each Directors' remuneration for the financial year ended 31 December 2017 are set out below:

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

Director	Salaries*	Other Emoluments*		Meeting Allowances		Other Allowances*	Estimated Monetary Value of Benefits-in-Kind	Total
	(RM)	(RM) Company	(RM) Subsidiaries	(RM) Company	(RM) Subsidiaries	(RM)	(RM)	(RM)
Datuk Wira Azhar Abdul Hamid (resigned on 30 June 2017)	1,155,060.00	117,336.00	0	0	0	37,500	0	1,309,896.00
Total for ED	**1,155,060.00**	**117,336.00**	**0**	**0**	**0**	**37,500**	**0**	**1,309,896.00**

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

III. REMUNERATION (CONTINUED)

NON-EXECUTIVE DIRECTORS ("NED")

Directors	Directors' fees	Other Emoluments (Board committee fees and Subsidiaries Chairman's allowance)		Meeting Allowances		Other Allowances[1]	Estimated Monetary Value of Benefits-in Kind	Total
	(RM)	(RM) Company	(RM) Subsidiaries	(RM) Company	(RM) Subsidiaries	(RM)	(RM)	(RM)
Datuk Haji Hasni Harun (Chairman) (appointed on 20 June 2017)	190,000.00	19,000.00	–	20,500.00	–	25,000.00	19,784.00 [2]	274,284.00
Dato' Sri Che Khalib Mohamad Noh	90,000.00 [3]	8,710.00 [3]	112,500.00[4]	39,000.00[3]	400.00	5,000.00	–	255,610.00
Cindy Tan Ler Chin	90,000.00[5]	24,000.00[5]	–	44,000.00	–	25,000.00	–	183,000.00
Datuk Dr. Syed Muhamad Syed Abdul Kadir	90,000.00	96,000.00	–	80,000.00	–	5,000.00	–	271,000.00
Datuk Idris Abdullah	90,000.00	90,000.00		75,000.00		50,000.00		305,000.00
Datuk Ooi Teik Huat	90,000.00	30,000.00	–	49,500.00	–	25,000.00	–	194,500.00
Dato' Wan Kamaruzaman Wan Ahmad	90,000.00	–	–	25,000.00	–	25,000.00	–	140,000.00
Kohei Hirao	90,000.00	–	–	30,000.00	–	25,000.00	–	145,000.00
Datuk Seri Johan Abdullah (Appointed on 29 May 2017)	53,226.00	–	–	12,500.00	–	–	–	65,726.00
Datuk Rozimi Remeli (Appointed on 16 October 2017)	18,870.00	–	–	7,500.00	–	–	–	26,370.00
Zalman Ismail (Alternate director Dato' Wan Kamaruzaman)	–	–	–	5,000.00 [6]	–	–	–	5,000.00
<u>Resigned directors:</u>–								
Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman) (resigned on 20 June 2017)	170,000.00	17,000.00	–	32,500.00	–	45,075.00	60,485.35 [7]	325,060.35
Datuk Muhamad Noor Hamid (resigned on 31 August 2017)	60,000.00	32,000.00	–	47,500.00	–	8,576.60	–	148,076.60
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff (resigned on 16 October 2017)	71,130.00	23,710.00	–	42,000.00	–	25,000.00	–	161,840.00
Total for NED	**1,193,226.00[8]**	**340,420.00[8]**	**112,500.00**	**510,000.00**	**400.00**	**263,651.60**	**80,269.35**	**2,500,466.95**

III. REMUNERATION (CONTINUED)

Notes:

1. *Other allowances paid by Malakoff to the NEDs comprising annual leave passage & annual supplemental fees (includes FY2016 claims paid in FY2017).*
2. *Benefits-in-kind paid to the Chairman of Malakoff comprising company car, petrol and utilities.*
3. *Directors' fees, Board committee fees and meeting allowances are shared on an equal basis between the NED and MMC Corporation Berhad (which nominated the NED on the Board).*
4. *Subsidiaries Chairman's allowances payable by the subsidiaries for the months of January & February 2017 to a NED of Malakoff who was serving as the chairman of the subsidiaries. He resigned from the subsidiaries on 2 June 2017.*
5. *Directors' fees and Board committee fees are shared on an equal basis between the NED and Employees Provident Fund (which nominated the NED on the Board).*
6. *Meeting allowance will be paid to the alternate Director for his attendance at Board meetings in the absence of Dato' Wan Kamaruzaman Wan Ahmad.*
7. *Benefits-in-kind paid to the former Chairman of Malakoff comprising medical reimbursements, company car, company driver, petrol and utilities.*
8. *Total Directors' fees and Board Committee fees payable to the NEDs at the Company level and former NEDs in 2017.*

Top five (5) Senior Management by total remuneration value as at 31 December 2017

Remuneration paid to the top five (5) Senior Management personnel for the financial year ended 31 December 2017 are as follows:-

Top Five (5) Senior Management personnel's remuneration value (not including Executive Director)	Number of Senior Management
RM700,001 – RM750,000	1
RM750,001 – RM800,000	2
RM850,001 – RM900,000	1
RM1,000,000 and above	1
Total	**5**

The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefits-in-kind and other emoluments. At this juncture, the Company is of the view that it would not be in the best interest of the Company to make detailed disclosure of each key Senior Management personnel's remuneration on a named basis. In view of the competitiveness in the employment market and as part of the Company's efforts in attracting and retaining executive talents, the Company would like to maintain the confidentiality of the individual remuneration details.

The Board ensures that the remuneration of Senior Management is fair and commensurate with the performance of the Company and the contributions made by the Senior Management, but at the same time it is able to attract, retain and motivate the Senior Management to excel in their respective roles.

IV. 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 the new regime of the Companies Act, 2016, MCCG 2017 and the amendments to the MMLR of Bursa Malaysia.

At the beginning of the year, the BNRC had carried out a Board matrix competency exercise for each member of the Board as part of the Board evaluation exercise. This exercise is targeted to identify key areas of improvement for each of the Directors and their respective training needs to bridge their respective competency gaps.

IV. DIRECTORS' TRAINING (CONTINUED)

The Chairman through the Company Secretaries had considered the current development of regulations and practices which impact the Company as well as the Directors, and had accordingly organised an in-house training for the Board members entitled "Update on MCCG 2017 and the MMLR of Bursa Malaysia" during the year. Regular updates on training programmes from various organisations were also circulated to the Directors for their consideration for selection and participation. The continuing education programme includes the briefing by industry analysts at the annual strategy meeting between the Board and the management.

In compliance with Paragraph 15.08(3) and Appendix 9C (Part A, paragraph 28) of the MMLR of Bursa Malaysia, all Directors (during the financial year ended 31 December 2017) had attended at least one training session. The summary of the training programmes attended by our Directors are listed below:-

Name of Director	Conference/Training Programme Attended	Date
Datuk Haji Hasni Harun (Chairman)	Cyber Security Board Awareness Session – Cyber Security from the Front Line	30 August 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017
	Malaysian Institute of Accountants International Accountants Conference 2017	7 – 8 November 2017
Dato' Sri Che Khalib Mohamad Noh	Panelist for Majlis Perudingan Melayu Townhall entitled Belt & Road Initiative: Impak ke atas Agenda PPEB	17 February 2017
	Indah Water Konsortium ("IWK") Retreat: Sesi Sumbang Saran – Hala Tuju Industri Pembetungan Nasional	14 April 2017
	Cyber Security Board Awareness Session	6 June 2017
	Invest Malaysia 2017: "Malaysia at 60: Maximising Potential"	25 – 26 July 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Speaker: IWK Innovation Month: Innovation in Business – The MMC and TNB Experience	17 October 2017
	Malaysian Institute of Accountants Conference 2017: Expanding Horizons. Be Future Relevant	7 November 2017
	The Impact of Companies Act 2016 on Corporate Governance 2017 and Directors' Duties	13 November 2017
Cindy Tan Ler Chin	Cyber Security Board Awareness Session – Cyber Security from the Front Line	30 August 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017
Datuk Ooi Teik Huat	Cyber Security Board Awareness Session	26 July 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017
	The Impact of Companies Act 2016 on Corporate Governance 2017 and Directors' Duties	13 November 2017
Datuk Idris Abdullah	Cyber Security Board Awareness Session – Cyber Security from the Front Line	30 August 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017

IV. DIRECTORS' TRAINING (CONTINUED)

Name of Director	Conference/Training Programme Attended	Date
Datuk Dr. Syed Muhamad Syed Abdul Kadir	Khazanah Annual Briefing	3 February 2017
	Panelist at the Islamic Finance for Board of Directors (IF4BOD) Programme	15 – 16 February 2017
	Bank Negara Malaysia Annual Report 2016 / Financial Stability and Payment Systems Report 2016 Briefing Session	23 March 2017
	The Future Chief Executive Officer ("CEO") Programme	25 March 2017
	CEO Faculty Talk on "Company Law"	26 March 2017
	The Future CEO Programme	6 May 2017
	Capital Market Directors Programme	15 – 17 May 2017
	SIDC-IMD 3rd series: Innovation in the Financial Sector – Where the World Will Be, How to Get There?	23 May 2017
	Islamic Finance for BOD Programme	11 – 13 July 2017
	CEO Faculty Programme	15 July 2017
	Speaking for Malaysian Directors Academy-Razak School of Government ("MINDA-RSOG") International Directors' Summit	22 August 2017
	Cyber Security Board Awareness Session – Cyber Security from the Front Line	30 August 2017
	Briefing on Companies Act 2016 for Directors of CIMB-Principle Asset Management & CIMB-Principle Islamic Asset Management	19 September 2017
	CEO Faculty Programme	7 October 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	MINDA's Power Talk with Capten Peter Jahne	24 October 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017
	ICLIFF session on Mindfulness – A Critical Source of Leadership Energy	17 November 2017
	Mentoring session for Women Directors Mentoring Programme 2017	8 December 2017
	CEO Faculty Programme	9 December 2017
Dato' Wan Kamaruzaman Wan Ahmad	Sustainability Conference & Association of Chartered Certified Accountants Malaysia Sustainability Reporting Awards Presentation Ceremony	10 January 2017
	Global Transformation Forum	22 – 23 March 2017
	Champion Training – Lean Sigma for Leaders	6 July 2017
	International Corporate Governance Network Annual Conference 2017	10 – 13 July 2017
	The Global Institute for Leadership Development Programme	17 – 21 July 2017
	Principles for Responsible Investment in Person	26 – 27 September 2017
	Khazanah Megatrends	2 – 3 October 2017
	World Pension Summit 2017	25 – 26 October 2017
	KWAP Teambuilding Program 2017	3 – 5 November 2017
	Environmental, Social and Governance Awareness Campaign	6 November 2017
	Malaysia Digital Economy Corporation's Ideas Xchange Forum	14 December 2017
Kohei Hirao	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Corporate Directors' Advanced Programme: Updates on Companies Act 2016 and its implications to directors and the new Malaysian Code on Corporate Governance 2017	26 October 2017

IV. DIRECTORS' TRAINING (CONTINUED)

Name of Director	Conference/Training Programme Attended	Date
Datuk Seri Johan Abdullah	Multaqa Pendidikan & Sosial, Majlis Perundingan Islam	28 February 2017
	A Private Event: An Evening with Sir Michael Barber	23 March 2017
	KWAP CONNECTS 2017: Networking & Corporate Luncheon	1 August 2017
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	TH Transformation Workshop – Roland Berger	22 November 2017
	Fintech Training Session	24 November 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017
Datuk Rozimi Remeli	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
	Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia	3 November 2017
Zalman Ismail	Index Training & Pension Fund Mandate Structuring	19 April 2017
	Champion Training – Lean Sigma for Leaders	6 July 2017
	International Corporate Governance Network Annual Conference 2017	11 – 13 July 2017
	2017 Private Equity Forum – AVCJ, Kuala Lumpur	19 September 2017
	MSCI US Institutional Investors Conference, Sacramento, California, United States	4 – 5 October 2017
	Building High Performance Directors 2.0 – Organisational Sustainability by MINDA – JKSB, Osaka, Japan	30 October 2017 – 2 November 2017

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Practice 8.1 - The Chairman of the Audit Committee is not the Chairman of the Board.

Practice 8.2 - The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Practie 8.4 - Step up: The Audit Committee should comprise solely of Independent Directors.

I. BOARD AUDIT COMMITTEE ("BAC")

With the introduction of MCCG 2017 which has, amongst others, emphasized the effectiveness and independence of the audit committee, the Company's BAC provides an additional assurance and oversight relating to financial reporting process, internal controls, risk management and governance for the Group due to the substantial amount of risk and compliance matters that stem from operating in this highly regulated industry.

The BAC is led by its Chairman, Datuk Dr. Syed Muhamad Syed Abdul Kadir, an INED (who is not the Chairman of the Company) and the majority of its members are IDs. The BAC had recently revised the Terms of Reference ("**TOR**") of BAC to amongst others provide that if a former key audit partner is appointed, he will need to observe a cooling-off period of at least two (2) years before being appointed as a member of the BAC. All members of the BAC are not former key audit partners.

Practice 8.5 - Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

One of the BAC members is a member of the Malaysian Institute of Accountants ("**MIA**") and the Certified Public Accountants ("**CPA**") of Australia thus fulfilling the requirement under paragraph 15.09(1)(c)(i) of the MMLR of Bursa Malaysia which requires at least one (1) of the BAC members to be a member of the MIA. Nevertheless, each of the BAC members is financially literate per the definition suggested by the Corporate Governance Guide 3rd Edition 2017, including but not limited the following:-

i) has the ability to read and understand financial statements;

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

I. BOARD AUDIT COMMITTEE ("BAC") (CONTINUED)

ii) has the ability to understand and assess the general application of accounting principles and apply a critical view on the underlying assumptions;

iii) has the ability to analyse financial statements and challenge management's assertions on financials;

iv) has the awareness of, and familiarity with, new financial reporting standards and how they impact the Company's financial performance which enable the BAC members to ask pertinent questions;

v) has the ability to assess the effectiveness of the audit process and the Company's finance functions in generating reliable and timely financial information; and

vi) has the ability to ask probing questions about the Company's operations against internal controls and risk factors.

Under the Corporate Governance Guide 3rd Edition 2017, it had been recommended that continuous development programmes for BAC members to be in four areas namely core functions, skills development, role and purpose of the audit committee and topical updates. During the financial year under review, the BAC members had attended trainings for their continuous professional development to keep themselves abreast with the relevant development in the market which included trainings focusing on the core functions and topical updates such as MCCG 2017, the impact of new CA 2016 on the MCCG 2017 and Directors' duties as well as other topics on cyber security, energy transition, capital market and Islamic financing.

Practice 8.3 - The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

The BAC does a yearly assessment of the services rendered by the external auditors ("**EA**") and had during the year undertaken an annual assessment of the quality of audit encompassing the performance of KPMG, the Quality Processes/Performance of the Engagement Team, Audit Team's Independence, Objectivity and Professional Scepticism, Audit Scope and Planning, Audit Fees and Audit Communication and Interaction. Assessment questionnaires were also used as a tool to obtain inputs from each of the BAC members and the management.

The independence of the EA is maintained through a non-audit services policy approved by the Board on 23 May 2017. Under this policy, the approval of the BAC is required for the engagement of the Group's EA for non-audit services, if the cumulative non-audit fees for the year reaches 50% of prior year's audit fees (which included the fees for limited quarterly review). During the financial year under review, KPMG had provided a written assurance to the BAC that they had been independent throughout the audit engagement for FY2017 in accordance with the terms of all relevant professional and regulatory requirements. The management had also ensured that the necessary safeguards were in place when engaging KPMG to carry out non-audit services for the Group.

Details on the BAC are also elaborated on the BAC Report which appears on pages 112 to 117 of this Annual Report.

Practice 9.1 - The Board should establish an effective risk management and internal control framework

Practice 9.2 - The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Practice 9.3 - Step up: The Board establishes a Risk Management Committee, which comprises a majority of IDs, to oversee the company's risk management framework and policies.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

a) Board Risk and Investment Committee ("BRIC")

The BRIC comprises three (3) NEDs whose members are majority IDs. The BRIC is established to primarily oversee the risk management activities of the Malakoff Group and to support 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.

In November 2016, to reflect its additional responsibility to review and recommend investment proposals by the management, the Board Risk Committee was renamed as BRIC. Under this new purview, the Board had delegated BRIC the authority to review and recommend the Group's major investments which include bidding for binding tenders/contracts for new power and water generation projects and assessing the key associate risks including funding options and costs as well as returns of such investment in accordance with the Group's Investment Guideline and Policy.

b) Risk Management and Internal Control Framework

The Enterprise Risk Management Policy & Framework ("**ERMPF**") ensures a structured risk management process is adopted across the Group. This will enable the Group to identify potential risks and to implement the necessary controls to mitigate the risks and effectively achieve the Group's business objectives.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

The Board, which is responsible for the risk management and internal control governance, has delegated its responsibility to the BRIC. The BRIC reports to the Board on a quarterly basis, and provide reasonable assurance that any potential adverse impact on the Group's objectives is mitigated and managed.

Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 104 to 111 of this Annual Report.

Practice 10.1 - The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Practice 10.2 - The Board should disclose

- **whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;**
- **the number of resources in the internal audit department;**
- **name and qualification of the person responsible for internal audit; and**
- **whether the internal audit function is carried out in accordance with a recognised framework.**

Internal Audit function

The Group Internal Audit ("**GIA**") was established to support the Board through the BAC in discharging its duties and governance responsibilities of maintaining a sound internal control system within the organisation. The internal audit function is considered an integral part of the assurance framework and GIA'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.

GIA has an independent status within the Group and reports directly and functionally to the BAC and administratively to the CEO. GIA is also independent of the functions and activities that it audits and performs its duties in accordance with the Internal Audit Charter as approved by the BAC. The BAC also reviews and approves the appointment and removal of the Chief Internal Auditor, the Annual Internal Audit Plan, budget and organisation structure of GIA to ensure that it is adequately resourced with competent staff to perform its role and function effectively.

The standards and practices adopted by GIA are aligned to the International Professional Practices Framework ("**IPPF**") issued by the Institute of Internal Auditors ("**IIA**"). As at 31 December 2017, the total number of personnel in GIA was nine (9) including the Chief Internal Auditor. The name, credential and work experience of the Chief Internal Auditor of GIA is shown on page 31 of this Annual Report.

Details of the internal audit function and activities are presented in the BAC Report on pages 116 to 117 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

Practice 11.1 - The Board ensures there is effective, transparent and regular communication with its stakeholders.

I. COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS OR INVESTORS

The Board encourages continuous disclosure and communication of information to its stakeholders and facilitates information exchange platform to support effective engagement of stakeholders by the Company. Information is communicated to shareholders and other stakeholders of the Company through Malakoff's website, announcements released to Bursa Malaysia, press release, interactive session with investors at meetings/briefing/site visits, annual reports and other means where applicable. This is essential to strengthen the relationship of the Company with the stakeholders in realising long-term values of the Company and enhancing shareholders' value.

The Company's website provides stakeholders and the investors at large with a wide range of information about the Company and its activities including corporate information, company policies & procedures, history, strategies, important operation updates, media releases, investor presentations, shareholdings, quarterly and full year financial results, outcome of general meetings and sustainability practices. Regular updates on the information is posted on the Company's website for the stakeholders' and interested investors' reference.

The Board also believes that Annual Report is important to the shareholders and the stakeholders of the Company as it provides them with accurate 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. This will also prepare the shareholders with sufficient information to deliberate and approve the proposed resolutions tabled at the annual general meeting.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (CONTINUED)

I. COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS OR INVESTORS (CONTINUED)

Other than the forum of general meeting, the Board through the Senior Management of the Company holds regular briefings with the investors to provide material development on the Company's business operation, growth investments and, particularly, on the financial conditions of the Company after the announcement of quarterly results of the Group.

Being one of the Company's efforts to promote effective engagement with shareholders or public at large, the Company has made available the relevant investors information for review on the Company's corporate website at www.malakoff.com.my under the Investor Relations section 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' or investors' enquiries from time to time.

In brief, mediums of communication between the Company and its shareholders or investors can be summarised as follows:

(i) the disclosure of full and timely information on the Group's major developments pursuant to the MMLR of Bursa Malaysia;

(ii) 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;

(iv) physical forums for interactive exchange between the Company's Senior Management and investors at meetings, briefings and site visits;

(v) electronic mail service as a quick and convenient means for receiving all related communications electronically especially in relation to matters on general meetings and annual report of the Company.

Further explanation on the Company's engagement with the investors is set out in the Investor Relations section on page 15 of this Annual Report.

Practice 11.2- Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Integrated reporting based on a globally recognised framework.

For financial information which is a key in its investment decisions, the Company had started implementing initiatives of the International Auditing and Assurance Standards Board and introduced the reporting of Key Audit Matters ("**KAM**") by the EA. Information in the MD&A includes an overview of the group's business and operations; discussion and analysis of the financial results and financial condition; review of operating activities; discussion on identified and anticipated or known risks; and forward-looking statements comprising trends and the inclusion of the business review.

In addition, company with experience in sustainability reporting is in a better position to adopt integrated reporting, as it is more likely to have established the necessary systems, controls and assurance processes to ensure the quality of non-financial data is able to support and comply with the integrated reporting requirements. As this is the second year of practicing sustainability reporting, the Company is currently at the stage of data collection for non-financial reporting and it is foreseeable that it will take some time to reach maturity before adopting integrated reporting.

Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.

The Board in recognising the benefits having an integrated report which establish integrated thinking and reporting that is designed to support sustainable business and financial stability, the Company will continuously review and improve on various reporting documents within the Company.

Practice 12.1 - Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Practice 12.2 - All Directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Practice 12.3 - Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

(i) voting including voting in absentia (shareholding exercising their voting rights without physically present at General Meetings); and

(ii) remote shareholders' participation at General Meetings

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (CONTINUED)

II. CONDUCT OF GENERAL MEETINGS

a) Shareholder participation at general meetings

General meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests. The Company Secretaries, by order of the Board, served a notice of annual general meeting to all shareholders of the Company at least 28 days prior to its forthcoming Twelfth Annual General Meeting ("**12th AGM**") to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the 12th AGM. Notice of the 12th AGM clearly sets out details of the resolutions proposed accompanying with explanatory notes on the rationale of each resolution to enable the shareholders to make informed decision in exercising their voting rights.

The standard proceedings adopted by the Company at its AGM would involve a brief overview by the Chairman of the Group's operations and performance for the year followed by a detailed briefing by the CEO to the shareholders present at the general meetings, before proceeding with the voting of the resolutions. Shareholders are encouraged to ask questions and give comments on the Group's operations and performance. 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 a two-way communication with shareholders where the 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 Board will ensure the presence of all Board members, particularly the chairperson of each Board committee to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders. The EA will be present at the AGM to highlight KAM for the attention of the shareholders, respond to any queries from shareholders 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.

For the time being, the facility for voting in absentia is not available as the Board considers the venue of the AGM to be accessible with good transportation network. In the unlikely event that the general meeting is held at a remote location, the Company will consider leveraging on the technology to encourage shareholders' participation.

b) Poll voting

In compliance with 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 have been put to vote by way of polling. The Company conducted its last AGM and EGM during the year by electronic voting via handheld device and polling station respectively. An independent scrutineer, who is not the officer of the Company or its related corporation and independent of the person undertaking the polling process, was appointed to validate the polling process as well as the votes cast at the said general meetings. The outcome of voting on the proposed resolutions was released via Bursa Link to the public at large and uploaded to the Company's website after the general meetings.

The Corporate Governance report as prescribed by Bursa Malaysia for the application of each practice set out in the MCCG 2017 can be downloaded from the Company's website.

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 requirements of Companies Act 2016, Malaysian Financial Reporting Standards and International Financial Reporting Standards to give a true and fair view of the financial position of the Group and of the Company and their financial performance and cash flows for the financial year ended 31 December 2017.

The Directors' Report for the audited financial statements of the Company and the Group is outlined on pages 120 to 124 of this Annual Report together with the details of the Company and the Group financial statements for the financial year ended 31 December 2017 which are set out on page 125 to 227 of this Annual Report.

COMPLIANCE STATEMENT BY THE BOARD ON THE CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Statement on the Company's corporate governance practices is made in compliance with Paragraphs 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 practices set out in the MCCG 2017 as well as the relevant paragraphs under the MMLR of Bursa Malaysia for the financial year under review. Any practices in the MCCG 2017 which have not been implemented during the financial year will be reviewed by the Board and implemented where possible and relevant to the Group's business.

This Statement has been presented to and approved by the Board at its meeting held on 8 March 2018.

EXPLORING OPPORTUNITIES

We will explore opportunities that are in line with our Strategic Plan to grow our business.

Statement on Risk Management and Internal Control

Board's Responsibility

The Board of Directors ("Board") of Malakoff Corporation Berhad risk oversight is critical in establishing the tone and culture towards an effective risk management and internal control for Malakoff Corporation Berhad and its subsidiaries ("the Group"). The Board affirms its overall responsibility for reviewing the adequacy and effectiveness of its risk management and internal controls processes of 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. For that reason, 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") 2017 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 implemented across the Group as well as specific functions, programmes, projects and activities. The holistic approach of risk management by the Group strengthens management practices, decision making and the resource allocation process. It also protects the interests of stakeholders as well as strengthens trust and confidence to 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 established in acknowledgement of the growing importance of the risk management in safeguarding the interest of the Group and its shareholders.

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.

Statement on Risk Management and Internal Control

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, analysing, 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").

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/operationalisation 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.

Statement on Risk Management and Internal Control

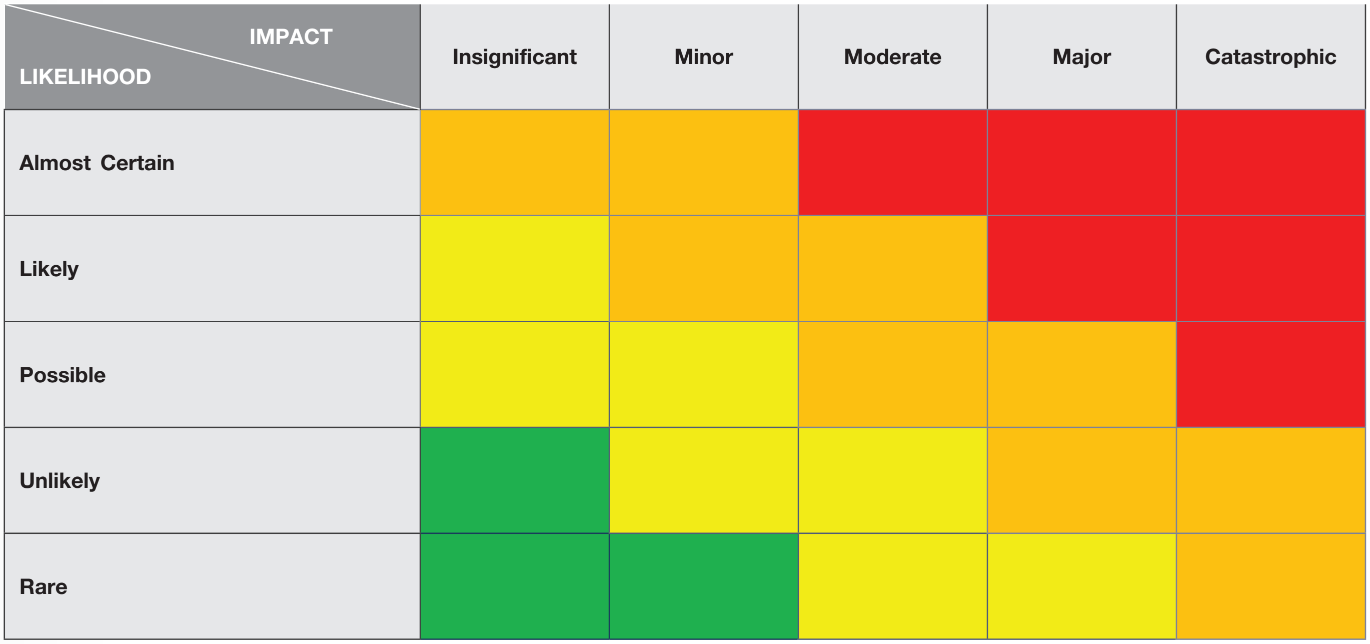
Responsibilities (continued)	**Monitoring** • To review the Group's investment portfolio to assess the performance of the Group's investments, including emerging risks and opportunities, market outlook (i.e. market study and market analysis), economic indicators, currency market, industry/regulatory 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.

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 in line with ISO 31000:2009 Risk Management – Principles and Guidelines codified by the International Organisation for Standardisation ("ISO").

Risk management is integrated into the Group's day to day 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.

The below risk matrix depicts the likelihood and impact parameters used to measure and assess the Group's risk level.



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.

CORPORATE DIGITAL ASSURANCE

To enhance the Group's risk management practices, a Corporate Digital Assurance module had been employed in the Enterprise Risk Management ("ERMS"). The scorecard owners, risk owners, control owners and action plan owners are required 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:

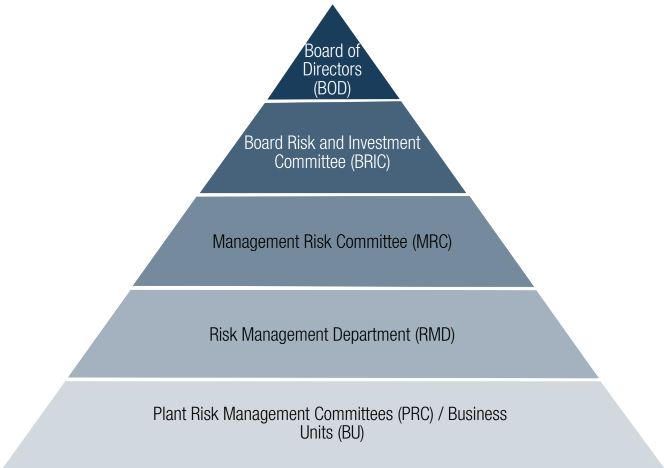
- The risks, controls and management actions information within the Corporate Risk Scorecard are accurate and complete.
- Where exposure is considered acceptable they have documented and validated that the control activities are in place and are effective.
- Where an individual risk has been assessed 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.

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.

Statement on Risk Management and Internal Control

Risk Reporting

On a quarterly basis, the identified risks are discussed and deliberated at the MRC meeting chaired by the Chief Executive Officer ("CEO"). 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 2017 and the revised guidelines on the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

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 is the obligation of the CEO 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.

The Board also reviews Malakoff's Sustainability Statement which summarises the management of material aspects of operations in particular, economic, environment and risks, as well as opportunities.

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 of the Group.

Internal Audit

The Group Internal Audit Division ("GIA") 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 organisation's governance, operations and information system.

GIA reports functionally to the Board Audit Committee ("BAC") and administratively to the CEO. GIA is independent of the activities that it audits and performs its duties in accordance with the Internal Audit Charter as approved by the BAC.

Details of the internal audit function and activities are presented in the BAC Report on pages 116 to 117 of this Annual Report.

Whistle-Blowing

The Group's Whistle-blowing Policy established in 2014 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.

A Whistle-blower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the Whistle-blowers from Detrimental Actions that may result from the disclosure of

Improper Conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy is also to ensure that fair treatment is provided to both the Whistle-blower and the alleged wrongdoer when a disclosure of Improper Conduct is made.

A disclosure of Improper Conduct can be made orally or in writing to the Chairman of the Board Audit Committee via a letter or e-mail to whistleblowing@malakoff.com.my.

The Chief Internal Auditor is responsible for the administration, interpretation and application of the Whistle-blowing Policy and any amendment to this Policy shall be affected by the Chief Internal Auditor, subject to the approval of the CEO, the Chairman of the Board Audit Committee and the Board of Directors.

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 CEO, 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 2017, 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 8 March 2018.

Board Audit Committee Report

The Board of Directors ("**Board**") of Malakoff Corporation Berhad ("**Malakoff**" or "**Company**") is pleased to present the Board Audit Committee ("**BAC**" or "**Committee**") Report as at 8 March 2018 which provides an overview on how the BAC discharged its functions and duties in FY2017.

MEMBERS OF BAC

Datuk Dr. Syed Muhamad Syed Abdul Kadir
Independent Non-Executive Director
Chairman

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 ("**MIA**") and Certified Public Accountant ("**CPA**") Australia)*

Datuk Rozimi Remeli
Independent Non-Executive Director
Member
(Appointed on 8 March 2018)

COMPOSITION AND ATTENDANCE

The BAC comprises four (4) members, all of whom are Non-Executive Directors ("**NEDs**"); three (3) Independent NEDs and one (1) Non-Independent NED. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

During the year, the Committee saw a change in its membership when Tan Sri Dato' Seri Alauddin Dato' Md Sheriff, an Independent NED, ceased to be a member of the BAC following his resignation as a Director of Malakoff on 16 October 2017. He was subsequently replaced by Datuk Rozimi Remeli, an Independent NED on 8 March 2018.

The Board has reviewed the terms of office of the BAC members and assessed the performance of the BAC and its members through an annual Board Committee effectiveness evaluation. The Board is satisfied that the BAC and its members had discharged their functions, duties and responsibilities in accordance with the BAC's Terms of Reference ("**TOR**") in supporting the Board in ensuring that Malakoff and its subsidiaries ("Malakoff Group") upholds appropriate Corporate Governance ("**CG**") standards. The TOR of the BAC were also reviewed and amended on 21 February 2018 to reflect the requirements of the applicable practices and guidance of the Malaysian Code on Corporate Governance ("**MCCG**") 2017.

MEETINGS

The BAC met six times during FY2017 and had accordingly complied with the frequency of meeting requirement under its TOR. The BAC members and their attendance at the BAC meetings are as follows:

Members	No. of meetings attended
Datuk Dr. Syed Muhamad Syed Abdul Kadir	6 of 6
Datuk Idris Abdullah	6 of 6
Datuk Ooi Teik Huat	6 of 6
Datuk Rozimi Remeli	**Note 1*
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff *(resigned w.e.f. 16 October 2017)*	5 of 5

**Note 1: Datuk Rozimi Remeli was appointed on 8 March 2018.*

The Group Managing Director/Chief Executive Officer together with the members of the Management Committee were invited to all BAC meetings. The involvement of these senior executives enabled direct communication between the Management and the BAC members so that the internal control, governance as well as operational issues deliberated at the BAC meetings are better appreciated by the BAC.

Representatives of the External and Internal auditors were invited to attend the meetings of the BAC as appropriate. The Chief Internal Auditor attended all BAC meetings to table the Internal Audit ("**IA**") reports covered under the approved IA plan for the year. The Heads of Divisions or Departments of the relevant auditees were invited to brief the BAC on specific issues arising from the audit reports or any other matters requested by the BAC. Their presence at the meetings provided the auditees an opportunity to receive direct feedback from the BAC and a platform to clarify the audit findings to the BAC and action plans to be undertaken to improve the weaknesses identified.

The External Auditors ("**EA**") were engaged to conduct a limited review of Malakoff Group's quarterly financial statements. These limited reviews provided the BAC an assurance of consistency and reliability of Malakoff Group's quarterly financial statements as well as compliance with applicable financial reporting standards.

The Company Secretaries are also the Secretary of the BAC. Minutes of each BAC meeting were recorded and tabled for confirmation at the following BAC meeting. Such confirmed/ to be confirmed minutes were included as part of the papers of the Board for the Board's information and notation.

SUMMARY OF WORK

The BAC's work during FY2017 comprised the following:

(i) Financial Reporting

The BAC reviewed and recommended for the annual audited financial statements for the Financial Year ("**FY**") 2016 be aproved and adopted by the Board at its meeting on 7 March 2017.

The quarterly financial statements for FY2017, which were prepared in accordance with the Malaysian Financial Reporting Standards ("**MFRS**") 134 Interim Financial Reporting and Appendix 9B of the MMLR of Bursa Malaysia, were reviewed by the BAC at its meetings on 19 May 2017, 18 August 2017, 20 November 2017 and 20 February 2018.

The annual audited financial statements for FY2017 were reviewed by the BAC on 6 March 2018. The Board had, based on the BAC's recommendation, approved and adopted the audited financial statements for FY2017 and will accordingly table the said financial statements to the shareholders at its forthcoming Twelfth Annual General Meeting ("**AGM**").

The BAC reviewed the quarterly financial statements and annual audited financial statements of the Malakoff Group together with the Management and the EA before recommending the same for the Board's approval.

During the review of the financial statements, the following were carried out by the BAC:

- discussed and reviewed with Management and EA on the accounting policies adopted by the Group to ensure compliance with the applicable approved accounting standards including the appropriateness of the accounting provisions and changes in estimates made in the financial statements of the Group; and
- reviewed the declaration of the final and interim dividends of the Company including the solvency test required under Companies Act 2016, ensuring that the Company will remain solvent for the next 12 months immediately after the above dividend distributions were made, before such declarations of dividends were recommended for approval of the Board.

(ii) External Audit

At each of the quarterly meetings of the BAC for the year 2017, new and recurring significant audit findings arising from the limited review were reported by the EA to the BAC. These include quarterly financial reporting issues, significant judgements made by Management, and significant and unusual events or transactions. The EA report to the BAC would also include Management's responses to the audit findings and their action plans to address the issues raised by the EA for the BAC's notation and feedback, where necessary.

The BAC, at its meeting on 17 February 2017, requested the Management to review the mechanism of monitoring the non-audit services provided by the EA, Messrs. KPMG, under the non-audit service policy which was approved by the Board in November 2016, for practicality and effectiveness.

Subsequently, on recommendation of the BAC, the revised non-audit services policy for the Company's EA was approved by the Board on 23 May 2017. Under the revised policy, the approval of the BAC is required for the engagement of the EA for non-audit services, if the cumulative non-audit fees for the year reaches 50.0 percent of the prior year's audit fees (including the fees for limited quarterly review). The BAC believes that the 50.0 percent threshold is an appropriate level to keep the independence of the EA in check and ensure that the judgement of the EA will not be impaired.

Board Audit Committee Report

Following the adoption of the revised non-audit services policy, the Management had on a quarterly basis tabled the non-audit services rendered to the Malakoff Group by the EA to the BAC.

On 17 February 2017, the BAC also undertook an annual assessment of the quality of audit encompassing the performance of KPMG, the Quality Processes/Performance of the Engagement Team, Audit Team Independence, Objectivity and Professional Skepticism, Audit Scope and Planning Audit Fees, Audit Communication and Interaction for its statutory audit for FY2016. Assessment questionnaires were used as a tool to obtain inputs from each of the BAC members and the Management.

KPMG's performance was assessed using a four-point scale to, amongst others, measure the adequacy and competency of the audit team, the ability to provide advice, suggestions or clarifications using technical knowledge and independent judgement. The assessment had also evaluated whether the BAC was kept abreast by the EA on significant audit issues affecting the Malakoff Group and the impact of new accounting standards to the Malakoff Group's financial statements and whether active engagement was maintained by the EA with the BAC on the audit process, as well as their responsiveness to resolving issues.

The assessments of the EA by the BAC and the Management were duly noted by the Board at its meeting on 7 March 2017. With the satisfactory assessment given to KPMG, supported by the BAC's recommendation, the Board had recommended the re-appointment of KPMG as the EA for the FY2017. The re-appointment of KPMG as the EA of the Company was approved by the shareholders at the Eleventh AGM held on 19 April 2017.

For the audit in FY2017, a new KPMG engagement partner was assigned for the audit of the Malakoff Group, following a 5-year rotational cycle of engagement partner adopted by KPMG as its policy, in line with the By-Laws of the MIA. The new engagement partner's term will expire in 2022. The rotation of audit engagement partner assigned to the Malakoff Group will avoid familiarity threat and assure that objectivity and independence of the audit of the Malakoff Group will remain intact.

On 20 November 2017, the BAC reviewed the EA's 2017 Audit Plan outlining their scope of work and the proposed fees for the statutory audit together with limited reviews of the quarterly condensed consolidated financial statements drawn in accordance with MFRS and International Financial Reporting Standards. The audit was conducted in accordance with approved standards on auditing issued by the MIA and International Standards on Auditing. The BAC subsequently recommended the proposed audit fees to the Board for approval. The same was approved by the Board on 21 November 2017.

KPMG in its 2017 Audit Plan also presented the engagement team, timeline, areas of audit emphasis, involvement of others including subject matter experts and independent auditors of the Company's associates and joint venture companies, and key audit matters. The potential key audit matters were identified based on relevant factors affecting KPMG's risk assessment namely, size, complexity, external scrutiny and susceptibility to error. These key audit matters were subsequently discussed with the BAC and the Board and had been included as part of the Independent Auditors' Report in the audited financial statements included in the 2017 Annual Report.

The BAC held two private meetings with the EA in May and November 2017 without the presence of the Management. The BAC had, in consultation with the EA, requested the Company Secretary to schedule the private sessions with the EA at the BAC meetings before the start of the EA's statutory audit for the financial year (in 3rd quarter) in November and after the completion of the statutory audit (4th quarter) in February of the following year to maximise the benefits of the private sessions with the EA.

The non-audit services engaged with KPMG by the Malakoff Group for FY2017 amounted to RM539,623 (refer to Note 1), which was below 50 percent of the previous year's audit fees and were mainly in respect of tax compliance and tax advisory services. KPMG had provided a written assurance to the BAC that they were independent throughout the audit engagement for FY2017 in accordance with the terms of all relevant professional and regulatory requirements. The Management had also ensured that necessary safeguards were in place when engaging KPMG to carry out non-audit services for the Group.

Note 1: The total non-audit services fees for KPMG recognised in FY2017 as disclosed in the annual audited financial statements amounted to RM1,521,000 consisting of the non-audit fees rendered during the year in relation to services engaged in FY2016 and FY2017.

Based on the above, the BAC is satisfied that the non-audit services provided during the year are compatible with applicable independence rules and standards for auditors, as well as the provisions stipulated in the non-audit service policy.

On 20 February 2018, the BAC undertook the annual assessment of the quality of audit rendered by KPMG during FY2017. Based on the improved rating of KPMG's performance, the BAC had accordingly supported the recommendation for the re-appointment of KPMG as the EA for the FY2018. Further information on the assessment of suitability, objectivity and independence of the EA by the BAC is provided in the CG report in accordance with Practice 8.3 of the MCCG 2017.

The Board at its meeting held on 8 March 2018 approved the BAC's recommendation to re-appoint KPMG for the FY2018, subject to the shareholders' approval at the forthcoming Twelfth AGM.

(iii) Internal Audit

During FY2017, the BAC had carried out the following:

- reviewed and approved the Annual IA Plan for FY2018 to ensure the adequacy of scope, coverage, budget, resources and authority for Group Internal Audit ("**GIA**") to carry out its work effectively;
- reviewed and deliberated on the IA reports tabled during the year by GIA which highlighted key control issues together with their root causes, risks, relevant audit recommendations for improvement along with Management action plans to address the control deficiencies;
- reviewed the progress and status of action plans or corrective actions undertaken by Management on audit issues to ensure all key risks and control deficiencies have been implemented and addressed;
- reviewed and deliberated on the results from investigation audits performed based on complaints received through Whistle-blowing channels and recommended appropriate remedial actions/measures to be taken;
- reviewed and deliberated on IA reports on the effectiveness and adequacy of governance, risk management, operational and control processes;
- reviewed and deliberated on follow-up audits on the adequacy and effectiveness of agreed corrective actions undertaken and implemented by Management on prior year audit issues to ensure non-recurrence;
- reviewed and recommended for the Board's approval the revision of the Company's Whistle-blowing policy to further enhance and improve the effective implementation of the policy within the Group;
- reviewed and approved the revised organisation structure of the GIA to ensure that it is adequately resourced to carry out its role and function effectively;
- reviewed the effectiveness of the internal audit function and assessed the performance of GIA in respect of the quality of audit, scope of the audit, adequacy of resources and suitability of staff for FY2017; and
- met with the Chief Internal Auditor without the presence of Management to ensure there were no restrictions on GIA's scope of work and to discuss any other matters that the GIA wishes to escalate to the BAC.

(iv) Related Party Transactions ("RPT")

The BAC had at its meetings held on 17 February 2017, 27 March 2017 and 20 February 2018, reviewed three RPTs proposed to be entered with the Company's related parties which were deemed persons connected to a major shareholder of the Company pursuant to the MMLR of Bursa Malaysia. The review by the BAC of these transactions was to ensure that the terms and conditions of the transactions were entered into at an arm's length, on normal commercial terms and not detrimental to the interest of the minority shareholders.

Arising from the review of the RPTs, the BAC had put in place an internal checklist to ensure that pertinent and relevant factors are considered by the BAC in reviewing and considering the Group's RPTs. The internal checklist had been developed following the CG Guide ("**Guide**"), Edition 2 and incorporated as a template for board paper to be used as a guide in preparing board papers involving RPTs to be submitted to the BAC. With this, the BAC's consideration and deliberation on the Group's RPTs are carried out in a consistent manner and the principles of RPTs are comprehensively reviewed before the BAC makes the relevant recommendations to the Board.

The Group's RPTs and recurrent related party transactions ("**RRPTs**") for the preceding 12 months up to end of each reporting quarter as well as the forecast RPTs and RRPTs for the next 12 months period from the end of reporting quarter are also reported on a quarterly basis to the BAC and the Board. The reporting of these transactions are coordinated, through the Corporate Secretarial Department, from all departments/subsidiaries and business units within the Group, before the same are presented to the BAC and the Board. The departments/subsidiaries and business units within the Group are guided by the principles set out in the RPT Policies & Procedures ("**RPT P&P**") of the Company when dealing with RPTs.

The annual review by the Company's GIA as prescribed in the RPT P&P is carried out to ensure that the information provided to the Corporate Secretarial Department is accurate and that the RPTs and RRPTs are in compliance with the MMLR of Bursa Malaysia and were undertaken under normal commercial terms. The GIA will provide the necessary assurance to the BAC that the internal control with regard to RPTs and RRPTs is adequate to ensure that all transactions with related parties are identified and recorded.

With the above frameworks, the BAC is sufficiently assured that the RPTs and conflict of interest situations, including RRPTs, are identified, evaluated, presented for review and approval, and reported as required.

INTERNAL AUDIT FUNCTION

The GIA was established to support the Board through the 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 IA function is considered an integral part of the assurance framework and GIA'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, GIA 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. This function serves as an important source of support for the BAC concerning areas of weaknesses or deficiencies in internal processes to facilitate appropriate remedial measures by the Company.

The purpose, authority, responsibility, independence and objectivity of GIA are spelt out in the IA Charter as approved by the BAC which establishes the framework for the effective and efficient functioning of GIA. The standards and practices adopted by GIA are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors.

GIA has an independent status within the Group and is independent of the activities and functions that it audits. GIA reports directly and functionally to the BAC and administratively to the Chief Executive Officer. The BAC also reviews and approves the appointment and removal of the Chief Internal Auditor, the Annual IA Plan, budget and organisation structure of GIA to ensure that it is adequately resourced with competent staff to perform its role and function effectively.

The roles and responsibilities of GIA are as follows:

(a) 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:
    (i) achievement of the Group's strategic objectives;
    (ii) reliability and integrity of financial and operational information;
    (iii) effectiveness and efficiency of operations;
    (iv) safeguarding of assets;
    (v) economic utilisation of resources; and
    (vi) compliance with relevant laws, regulations, policies, procedures and contractual obligations;

(b) prepare a risk based Annual IA Plan that is aligned to the Company's strategic objectives and takes into consideration of past audit history, inputs and feedback on any risk and control concerns from the BAC and Management;

(c) carry out IA assignments in accordance with the approved Annual IA Plan and report to the BAC on key control issues, its' root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans;

(d) monitor the progress of Management's agreed action plans or corrective actions to address the control issues highlighted by GIA;

(e) perform follow-up audits to determine whether the Management's agreed action plans or corrective actions highlighted from past audit reports have been correctly implemented and adhered to consistently;

(f) undertake ad-hoc assignments, special reviews or audit investigations as requested by the BAC or Management and presenting the results to the BAC or the Management; and

(g) maintain professional audit staff with sufficient knowledge, experience and skills.

In addition, GIA is also responsible for the administration of the Group's Whistle-blowing Policy which provides an avenue for employees and third parties dealing with the Company to disclose cases of any improper conduct such as misconduct, criminal offences or malpractices to the Company. Any disclosure of improper conduct can be made orally or in writing to the Chairman of the BAC via letter or e-mail to whistleblowing@malakoff.com.my.

For the FY2017, GIA conducted various IA assignments in accordance with the Annual IA Plan that is consistent with the Company's goals, complexity and risks of its activities. During the year, GIA had carried out fourteen (14) full audits, seven (7) follow-up audits and four (4) special review assignments or investigations covering the areas of power plant operation and maintenance, inventory and warehouse management, procurement, finance, human resource and health, safety, security and environment.

The IA reports were tabled and presented to the BAC for deliberation, highlighting the key control issues together with the root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans to be implemented. The progress of these action plans is monitored by GIA and reported to the BAC by GIA on a quarterly basis.

As at 31 December 2017, the total number of personnel in GIA was nine (9) including the Chief Internal Auditor. The name, credential and work experience of the Chief Internal Auditor of GIA is disclosed on page 31 of this Annual Report.

The GIA has a sufficient mix of internal auditors with various knowledge, skills and competencies to perform its function and GIA is committed to equip its auditors with adequate knowledge and proficiencies to discharge their duties and responsibilities. The Company is also a corporate member of the Institute of Internal Auditors Malaysia which enables the internal auditors in GIA to keep abreast with developments in the IA profession and regulations as well as attending the necessary trainings organised by the Institute of Internal Auditors Malaysia. The total cost incurred by GIA for the FY2017 was RM1.69 million.

This BAC report is made in accordance with the resolution of the Board duly passed on 8 March 2018.

Additional Compliance Information

UTILISATION OF PROCEEDS

During the financial year, the utilisation of proceeds are as below:

Subsidiary	Debt raised	Utilisation of proceeds
Tanjung Bin Energy Sdn Bhd ("TBE")	Unrated Perpetual Sukuk of up to RM800 million in nominal value under the shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah")	All the proceeds from the Sukuk Wakalah had been utilised for the redemption of the outstanding junior term loan facility in an aggregate amount of RM1,290 million pursuant to the turnkey contract dated 23 February 2012 made between TBE and Tanjung Bin Energy Issuer Berhad (as amended, supplemented and/or varied from time to time).
Malakoff International Limited ("MIL")	Term loan facility of USD80 million ("USD Term Loan")	All the proceeds raised from the USD Term Loan had been utilised for the payment of all outstanding amounts under MIL's existing term loan facility and payment of fees and related expenses.

AUDIT FEES AND NON-AUDIT FEES

The fees paid/payable to the external auditors, KPMG PLT and its affiliates ("KPMG") in relation to the audit and non-audit services to the Group and Company for the financial year ended 31 December 2017 are as follows:

	Group 2017 RM'000	Company 2017 RM'000
Audit fees	1,794	639
Non-audit fees*	1,521	941
	3,315	1,580

* Included in this non-audit fees is the amount payable for non-audit services incurred for the financial year 2016 but payable in the financial year 2017 for the Group and the Company amounting to RM988,000 and RM824,000 respectively. The non-audit fees paid/payable to KPMG were mainly related to tax compliance services and other advisory services largely in respect of potential business undertakings and loan refinancing activities.

MATERIAL CONTRACT

Tanjung Bin Power Sdn Bhd ("TBP"), a 90.0 percent owned subsidiary of Malakoff Corporation Berhad ("Malakoff"), has on 4 August 2017 signed an agreement with IHI Corporation Japan, ISHI Power Sdn Bhd, IHI Power Systems (M) Sdn Bhd, Sumitomo Corporation, Zelan Holdings (M) Sdn Bhd ("ZHSB") and Sumi-Power Malaysia Sdn Bhd to resolve and settle the disputes between the parties in connection with the boiler tube failure incidents at the power station consisting of three 700 MW coal-fired units owned and operated by TBP ("Plant") and the inability of the Plant to meet certain required output conditions.

MMC Corporation Berhad ("MMC"), being a major shareholder of Malakoff, holds 39.25 percent of Zelan Berhad ("ZB"), which in turn is the holding company of ZHSB. The nominee directors of MMC on the Board of Malakoff at the time of signing of the aforementioned agreement were Dato' Sri Che Khalib Mohamad Noh, Datuk Ooi Teik Huat and Datuk Muhamad Noor Hamid and Mr. Kohei Hirao, the Special Senior Advisor to Albukhary Group, which amongst others includes MMC. Dato' Sri Che Khalib Mohamad Noh and Datuk Ooi Teik Huat were also directors of ZB at the time of signing of the aforementioned agreement.

FINANCIAL STATEMENTS

Directors' Report

For the year ended 31 December 2017

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 2017.

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/(Loss) for the year attributable to:		
Owners of the Company	309,951	(336,838)
Non-controlling interests	66,987	–
	376,938	(336,838)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) a final single-tier dividend of 3.50 sen per ordinary share totalling RM175,000,000 in respect of the financial year ended 31 December 2016 on 23 May 2017.

ii) a single-tier interim dividend of 2.50 sen per ordinary share totalling RM125,000,000 in respect of the financial year ended 31 December 2017 on 6 October 2017.

In respect of the financial year ended 31 December 2017, the Directors recommended the payment of a final single-tier dividend of 3.70 sen per ordinary share which is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

Directors' Report

For the year ended 31 December 2017 (continued)

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Datuk Haji Hasni bin Harun (Chairman)	(Appointed on 20 June 2017)
Dato' Sri Che Khalib bin Mohamad Noh	
Tan Ler Chin	
Datuk Ooi Teik Huat	
Datuk Idris bin Abdullah @ Das Murthy	
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	
Dato' Wan Kamaruzaman bin Wan Ahmad	
Kohei Hirao	
Datuk Seri Johan bin Abdullah	(Appointed on 29 May 2017)
Datuk Rozimi bin Remeli	(Appointed on 16 October 2017)
Zalman bin Ismail (alternate Director to Dato' Wan Kamaruzaman bin Wan Ahmad)	
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	(Resigned on 20 June 2017)
Datuk Wira Azhar bin Abdul Hamid	(Resigned on 30 June 2017)
Datuk Muhamad Noor bin Hamid	(Resigned on 31 August 2017)
Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff	(Resigned on 16 October 2017)

DIRECTORS OF THE SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Dato' Ahmad Fuaad bin Mohd Kenali	(Appointed on 1 October 2017)
Habib bin Husin	
Ruswati binti Othman	
Mohd Shokri bin Daud	
Azhari bin Sulaiman	
Rosli bin Abd Hamid	
Datuk Hj. Mohammad Kamal bin Yan Yahaya	
Mazley bin Mahazir	(Appointed on 20 April 2017)
Yap Leng Khim	(Appointed on 8 March 2018)
Nazmi bin Othman	
Norazni binti Mohd Isa	
Harun bin Halim Rasip	
Kum Mun Lock	
Blair Andrew Lucas	
David Jeremy Barlow	
Rajendran Nagulusamy	
Nordin bin Kasim	(Resigned on 20 April 2017)
Lee Khuan Eoi	(Resigned on 2 June 2017)
Razman bin Abdul Rashid	(Resigned on 8 March 2018)

Directors' Report

For the year ended 31 December 2017 (continued)

DIRECTORS' INTERESTS IN SHARES

The interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) 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 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Direct interests in the Company:				
Dato' Sri Che Khalib bin Mohamad Noh	420,000	–	–	420,000
Datuk Ooi Teik Huat	420,000	–	–	420,000
Datuk Idris bin Abdullah @ Das Murthy	290,000	102,100	–	392,100
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	150,000	–	–	150,000

None of the other Directors holding office at 31 December 2017 had any interest in the shares of the Company and of its related corporations during the financial year.

The interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors of the subsidiaries of the Company at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2017	**Bought**	**Sold**	**At 31.12.2017**
Direct interests in the Company:				
Habib bin Husin	360,000	–	–	360,000
Mohd Shokri bin Daud	90,000	–	–	90,000
Ruswati binti Othman	200,000	–	–	200,000
Rosli bin Abd Hamid	338,000	–	(30,000)	308,000
Azhari bin Sulaiman	118,000	–	–	118,000
Datuk Hj. Mohammad Kamal bin Yan Yahaya	–	82,000	–	82,000
Mazley bin Mahazir	5,000	–	–	5,000

None of the other Directors of the subsidiaries holding office at 31 December 2017 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 remuneration 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.

Directors' Report

For the year ended 31 December 2017 (continued)

DIRECTORS' BENEFITS (CONTINUED)

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.

ISSUE OF SHARES

On 28 November 2017, the shareholders of the Company had during an Extraordinary General Meeting (EGM) approved for the Company to purchase its own shares of up to 10% of the Company's issued share capital. Pursuant to the approval, the Company had during the financial year, repurchased a total of 1,824,400 ordinary shares from the open market for a total consideration of RM1,641,294 at an average cost of RM0.90 per share. The repurchase transactions were financed by internally generated fund. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016. The Company has not cancelled any treasury shares during the financial year. As at 31 December 2017, the total number of treasury shares held is 0.036% of the total number of issued share capital of the Company.

There were no other changes in the 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.

INDEMNITY AND INSURANCE COSTS

The total amount of insurance costs effected for Directors and Officers of the Company during the financial year is RM67,688.

There was no indemnity given to or insurance effected for the auditors of the Company.

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.

Directors' Report

For the year ended 31 December 2017 (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

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, except as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 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.

SIGNIFICANT EVENT

Significant event during the year is disclosed in Note 37 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re–appointment.

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

………………………………………………………...........

Datuk Haji Hasni bin Harun
Chairman

………………………………………………………...........

Dato' Sri Che Khalib bin Mohamad Noh
Director

Kuala Lumpur

Date: 8 March 2018

Statements of Financial Position

As at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current assets					
Property, plant and equipment	3	13,976,303	14,604,469	35,589	39,254
Intangible assets	4	3,346,176	3,721,431	–	–
Prepaid lease payments	5	63,715	68,336	–	–
Investments in subsidiaries	6	–	–	7,710,649	8,134,741
Investments in associates	7	1,571,049	1,476,010	1,073,597	1,231,860
Investment in a joint venture	8	–	–	–	–
Finance lease receivable	9	2,208,203	2,264,999	–	–
Derivative financial assets	10	417,283	670,796	–	–
Trade and other receivables	11	81,540	91,902	–	–
Deferred tax assets	12	139,487	69,568	–	–
Total non-current assets		21,803,756	22,967,511	8,819,835	9,405,855
Current assets					
Trade and other receivables	11	2,118,834	2,046,557	1,721,859	1,201,357
Inventories	13	858,774	662,273	–	–
Current tax assets		139,275	176,592	–	23,066
Other investments	14	2,641,829	1,403,801	–	–
Cash and cash equivalents	15	2,355,529	3,006,802	388,809	320,490
Total current assets		8,114,241	7,296,025	2,110,668	1,544,913
Total assets		29,917,997	30,263,536	10,930,503	10,950,768
Equity					
Share capital	16	5,693,055	500,000	5,693,055	500,000
Share premium	16	–	5,192,215	–	5,192,215
Treasury shares	16	(1,641)	–	(1,641)	–
Reserves	16	111,997	111,162	–	840
Retained profits		87,680	112,335	3,274,689	3,917,541
Equity attributable to owners of the Company		5,891,091	5,915,712	8,966,103	9,610,596
Perpetual sukuk	17	800,000	–	–	–
Non-controlling interests		225,570	215,583	–	–
Total equity		6,916,661	6,131,295	8,966,103	9,610,596

Statements of Financial Position
As at 31 December 2017 (continued)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Loans and borrowings	18	14,180,158	15,626,429	–	–
Employee benefits	19	115,773	94,828	30,818	19,600
Provision for decommissioning cost	20	91,831	85,625	–	–
Deferred income	21	3,553,403	3,230,403	–	–
Derivative financial liabilities	10	112,048	153,681	–	–
Deferred tax liabilities	12	1,567,578	1,776,677	738	1,705
Total non-current liabilities		19,620,791	20,967,643	31,556	21,305
Current liabilities					
Trade and other payables	22	1,512,301	1,002,243	1,922,802	1,318,867
Current tax liabilities		135,342	117,378	10,042	–
Loans and borrowings	18	1,650,823	1,910,419	–	–
Derivative financial liabilities	10	23,665	31,411	–	–
Deferred income	21	58,414	103,147	–	–
Total current liabilities		3,380,545	3,164,598	1,932,844	1,318,867
Total liabilities		23,001,336	24,132,241	1,964,400	1,340,172
Total equity and liabilities		29,917,997	30,263,536	10,930,503	10,950,768

The notes on pages 133 to 227 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	23	7,130,440	6,098,420	415,728	362,136
Cost of sales		(5,587,874)	(4,385,710)	–	–
Gross profit		1,542,566	1,712,710	415,728	362,136
Other income		166,077	125,780	5,929	3,261
Administrative expenses		(233,930)	(221,741)	(113,751)	(99,072)
Other operating expenses		(156,164)	(177,379)	(599,749)	–
Results from operating activities		1,318,549	1,439,370	(291,843)	266,325
Finance income	24	213,290	191,252	89,335	56,186
Finance costs	25	(1,032,551)	(1,012,045)	(86,291)	(59,470)
Net finance (costs)/income		(819,261)	(820,793)	3,044	(3,284)
Share of profit of equity-accounted associates and a joint venture, net of tax		89,238	18,964	–	–
Profit/(Loss) before tax		588,526	637,541	(288,799)	263,041
Income tax expense	26	(211,588)	(231,499)	(48,039)	(14,583)
Profit/(Loss) for the year	27	376,938	406,042	(336,838)	248,458
Other comprehensive (expense)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	28	(10,812)	(3,404)	(6,014)	(5,210)
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge	28	(69,365)	15,631	–	–
Share of gain on hedging reserves of equity-accounted associates	28	86,371	54,537	–	–
Foreign currency translation differences for foreign operations	28	(15,331)	3,371	–	–
		1,675	73,539	–	–
Other comprehensive (expense)/income for the year		(9,137)	70,135	(6,014)	(5,210)
Total comprehensive income/(expense) for the year		367,801	476,177	(342,852)	243,248
Profit/(Loss) attributable to:					
Owners of the Company		309,951	355,463	(336,838)	248,458
Non-controlling interests		66,987	50,579	–	–
Profit/(Loss) for the year		376,938	406,042	(336,838)	248,458
Total comprehensive income/(expense) attributable to:					
Owners of the Company		300,814	425,598	(342,852)	243,248
Non-controlling interests		66,987	50,579	–	–
Total comprehensive income/(expense) for the year		367,801	476,177	(342,852)	243,248
Earnings per ordinary share (sen)					
Basic	29	6.20	7.11		
Diluted	29	6.20	7.11		

The notes on pages 133 to 227 are an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 31 December 2017

Group	Share capital		Share premium		Reserves						
	Ordinary RM'000	Preference RM'000	Ordinary RM'000	Preference RM'000	Capital redemption RM'000	Translation RM'000	Hedging RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2016	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)
As 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 2017 (continued)

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Reserves Capital redemption RM'000	Reserves Translation RM'000	Reserves Hedging RM'000	Retained profits RM'000	Total RM'000	Perpetual sukuk RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2017	500,000	5,192,215	–	840	20,476	89,846	112,335	5,915,712	–	215,583	6,131,295
Remeasurement of defined benefit liability	–	–	–	–	–	–	(10,812)	(10,812)	–	–	(10,812)
Foreign currency translation differences for foreign operations	–	–	–	–	(15,331)	–	–	(15,331)	–	–	(15,331)
Cash flow hedge	–	–	–	–	–	(69,365)	–	(69,365)	–	–	(69,365)
Share of gain on hedging reserves attributable to associates	–	–	–	–	–	86,371	–	86,371	–	–	86,371
Other comprehensive (expense)/ income for the year	–	–	–	–	(15,331)	17,006	(10,812)	(9,137)	–	–	(9,137)
Profit for the year	–	–	–	–	–	–	309,951	309,951	–	66,987	376,938
Comprehensive (expense)/ income for the year	–	–	–	–	(15,331)	17,006	299,139	300,814	–	66,987	367,801
Issuance of perpetual sukuk	–	–	–	–	–	–	–	–	800,000	–	800,000
Profit distribution of perpetual sukuk	–	–	–	–	–	–	(23,794)	(23,794)	–	–	(23,794)
Dividends to owners of the Company	–	–	–	–	–	–	(300,000)	(300,000)	–	–	(300,000)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	(57,000)	(57,000)
Total distribution to owners	–	–	–	–	–	–	(300,000)	(300,000)	–	(57,000)	(357,000)
Purchase of treasury shares	–	–	(1,641)	–	–	–	–	(1,641)	–	–	(1,641)
Transition to no-par value regime	5,193,055	(5,192,215)	–	(840)	–	–	–	–	–	–	–
As at 31 December 2017	5,693,055	–	(1,641)	–	5,145	106,852	87,680	5,891,091	800,000	225,570	6,916,661

Statements of Changes in Equity

For the year ended 31 December 2017 (continued)

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Reserves Capital redemption RM'000	Retained profits RM'000	Total RM'000
As at 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)
As at 31 December 2016/1 January 2017	500,000	5,192,215	–	840	3,917,541	9,610,596
Remeasurement of defined benefit liability	–	–	–	–	(6,014)	(6,014)
Other comprehensive expense for the year	–	–	–	–	(6,014)	(6,014)
Loss for the year	–	–	–	–	(336,838)	(336,838)
Comprehensive expense for the year	–	–	–	–	(342,852)	(342,852)
Dividends to the owners of the Company	–	–	–	–	(300,000)	(300,000)
Purchase of treasury shares	–	–	(1,641)	–	–	(1,641)
Transition to no-par value regime	5,193,055	(5,192,215)	–	(840)	–	–
As at 31 December 2017	5,693,055	–	(1,641)	–	3,274,689	8,966,103

The notes on pages 133 to 227 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit/(Loss) before tax	588,526	637,541	(288,799)	263,041
Adjustments for:				
Amortisation of prepaid lease payments	4,621	4,569	–	–
Amortisation of intangible assets	385,772	495,364	–	–
Amortisation of transaction costs of hedging instruments	10,678	12,178	–	–
Depreciation of property, plant and equipment	927,224	900,833	5,783	6,391
Finance costs	1,032,551	1,012,045	86,291	59,470
Finance income	(213,290)	(191,252)	(89,335)	(56,186)
Loss on disposal of property, plant and equipment	–	162	–	162
Impairment loss on investment in a subsidiary	–	–	447,886	–
Impairment loss on investment in an associate	–	–	151,863	–
Gain arising from change in fair value of derivative financial instruments	(26,024)	(16,962)	–	–
Property, plant and equipment written off	5,451	23,014	–	–
Expenses related to retirement benefit plans	12,061	11,695	2,659	2,474
Reversal of impairment loss on trade receivables	(4,859)	–	–	–
Share of profit of equity-accounted associates and a joint venture, net of tax	(89,238)	(18,964)	–	–
Operating profit before changes in working capital	2,633,473	2,870,223	316,348	275,352
Changes in working capital:				
Inventories	(196,501)	(87,179)	–	–
Trade and other receivables	284,645	(859,305)	(480,183)	(35,399)
Trade and other payables	140,476	452,398	511,617	46,271
Provision for decommissioning cost	6,206	17,567	–	–
Deferred income	278,267	224,187	–	–
Employee benefits	8,884	(1,765)	8,559	(3,527)
Cash generated from operations	3,155,450	2,616,126	356,341	282,697
Tax paid	(461,912)	(275,040)	(15,900)	(12,470)
Tax refund	26,797	23,492	–	–
Net cash from operating activities	2,720,335	2,364,578	340,441	270,227

Statements of Cash Flows

For the year ended 31 December 2017 (continued)

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(304,509)	(468,990)	(2,118)	(2,790)
Addition to prepaid lease payments		–	(3,053)	–	–
Dividends received from associates		21,535	29,237	–	–
Changes in other investments		(1,238,028)	(774,560)	–	–
Additional investment in a subsidiary		–	–	(23,794)	–
Interest received		171,010	144,275	49,031	8,767
Proceeds from disposal of property, plant and equipment		–	151	–	151
Proceeds from redemption of unsecured loan stocks		6,400	6,000	6,400	6,000
Redemption of unsecured loan stocks		(7,000)	(12,000)	–	–
Net cash (used in)/generated from investing activities		(1,350,592)	(1,078,940)	29,519	12,128
Cash flows from financing activities					
Dividends paid to the owners of the Company		(300,000)	(275,000)	(300,000)	(275,000)
Dividends paid to non-controlling interests		(57,000)	(50,000)	–	–
Interest paid		(905,485)	(734,586)	–	–
Proceeds from issuance of perpetual sukuk		800,000	–	–	–
Distribution to perpetual sukuk holder		(23,794)	–	–	–
Purchase of treasury shares		(1,641)	–	(1,641)	–
Proceeds from borrowings		346,160	608,469	–	–
Repayment of borrowings		(1,883,256)	(700,499)	–	–
Redemption of preference shares		4,000	19,434	–	–
Net cash used in financing activities		(2,021,016)	(1,132,182)	(301,641)	(275,000)
Net (decrease)/increase in cash and cash equivalents		(651,273)	153,456	68,319	7,355
Cash and cash equivalents at 1 January	(i)	3,006,802	2,853,346	320,490	313,135
Cash and cash equivalents at 31 December	(i)	2,355,529	3,006,802	388,809	320,490

(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	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks and other licensed corporations	15	1,818,306	2,646,098	351,521	312,354
Cash and bank balances	15	537,223	360,704	37,288	8,136
		2,355,529	3,006,802	388,809	320,490

The notes on pages 133 to 227 are an integral part of these financial statements.

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 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 8 March 2018.

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 ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The followings are accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") 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 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*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2018 (continued)

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

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

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

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2018 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, and Amendments to MFRS 140 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2019.

Notes to the Consolidated Financial Statements (continued)

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations and amendments 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 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.*

MFRS 16 introduces a single, on–balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short–term leases and leases of low–value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on 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.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

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) Residual value of power plant and machinery

a) Gas fired power plant

The residual values of gas fired power plant and machinery are the estimated amount that the Group's subsidiaries would be able to generate at the end of the power plant's useful life. The residual values are based on the valuations prepared by an independent professional valuer.

The Group's subsidiaries use recoverable values of the power plant and machinery based on the valuations derived by the valuer using the assumptions as disclosed in Note 3.2. Estimating the residual values of power plant and machinery 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 power plant and machinery however, may be different from expected.

b) Coal fired power plant

The residual values of coal fired power plant and machinery are the estimated amount that the Group's subsidiaries would be able to generate at the end of the Power Purchase Agreement ("PPA") tenure. The residual values are estimated based on the assumption that the PPAs will be extended for a period of ten (10) years. The residual values reflects the discounted cash flows that the power plant and machinery will generate during 10-year extension.

Estimating the residual values of the power plant and machinery 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 power plant and machinery however, may be different from expected. The Group's subsidiaries considered and adopted the recoverable values of the power plant and machinery based on the discounted cash flows derived using the assumptions as shown in Note 3.2.

(ii) 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, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision is as disclosed in Note 19.

Notes to the Consolidated Financial Statements (continued)

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 statements 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.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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 statements 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 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.

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.

Investment in associates are measured in the Company's statements 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.

Notes to the Consolidated Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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. Investment in joint venture is measured in the Company's statements 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 statements of financial position and statements 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 statements 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.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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 statements 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.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts is classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) 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.

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(vi) 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.

(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 costs less any accumulated depreciation and any accumulated impairment losses.

Costs include 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 costs of self–constructed assets also include the costs of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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 are 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.

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 where 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets (continued)

(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 statements 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(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, where appropriate.

(g) Inventories

Inventories are measured at the lower of costs and net realisable values.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, investment 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 generate 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.

Notes to the Consolidated Financial Statements (continued)

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.

Impairment loss for goodwill is non-reversible. As for other assets, impairment loss recognised in prior periods is assessed at the end of each reporting period for any indication that the loss has decreased or no longer exist. Impairment loss may only be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Reversal of impairment loss is credited to profit or loss in the financial year in which the reversal is 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) Perpetual sukuk

Perpetual sukuk is classified as equity as there is no contractual obligation to redeem the instrument. The perpetual sukuk is redeemable only at the Company's option.

Profit distribution on perpetual sukuk is recognised in the statements of changes in equity in the period in which it is declared.

(k) Employee benefits

(i) Short–term employee benefits

Short–term employee benefits 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (continued)

(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 obligations in respect of defined benefit plans are 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.

Remeasurement of the net defined benefit liability, which comprises 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 determine 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 recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue and other income

(i) Energy payments, operation and maintenance charges and project management fees

Revenue is measured at the fair value of 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.

(n) Deferred income

Deferred income comprises the difference between capacity payments received from Tenaga Nasional Berhad and capacity payments recognised in profit or loss 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.

Notes to the Consolidated Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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 statements of financial position and their tax bases. Deferred tax is not recognised for temporary differences in 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. Provision is 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 cost which arises principally in connection with the power plant is measured based on the valuation judgement by an independent professional valuer whereby 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 plant based on a discount rate of 7.5% (2016: 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 Chief Executive Officer, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is 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.

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 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
Disposals	–	–	–	–	–	–	–	–	(553)	–	(553)
Write-off	–	–	–	–	(30,942)	–	–	–	–	–	(30,942)
Reclassifications	–	–	–	(5,982,418)	5,984,376	–	(1,959)	(2)	–	3	–
At 31 December 2016/ 1 January 2017	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
Additions	–	–	–	104,460*	43,463	145,065	1,524	6,621	686	2,690	304,509
Disposals	–	–	–	–	–	–	(323)	–	(475)	(186)	(984)
Write-off	–	–	–	–	(7,783)	–	–	–	–	–	(7,783)
Reclassifications	–	–	–	(21,809)	26,132	3,057	–	(7,380)	–	–	–
At 31 December 2017	115,516	13,182	36,681	153,474	19,162,654	1,884,169	135,218	146,232	14,705	94,351	21,756,182

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 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
Disposals	–	–	–	–	–	–	–	–	(240)	–	(240)
Write-off	–	–	–	–	(7,928)	–	–	–	–	–	(7,928)
Reclassifications	–	–	–	–	–	–	–	324	(305)	(19)	–
At 31 December 2016/ 1 January 2017	–	2,765	27,764	–	5,498,059	1,053,821	70,082	108,745	9,899	84,836	6,855,971
Depreciation for the year	–	134	1,398	–	675,222	222,724	9,118	12,733	1,640	4,255	927,224
Disposals	–	–	–	–	–	–	(323)	–	(475)	(186)	(984)
Write-off	–	–	–	–	(2,332)	–	–	–	–	–	(2,332)
Reclassifications	–	–	–	–	16,077	–	(16,077)	–	–	–	–
At 31 December 2017	–	2,899	29,162	–	6,187,026	1,276,545	62,800	121,478	11,064	88,905	7,779,879
Carrying amounts											
At 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/ 1 January 2017	115,516	10,417	8,917	70,823	13,602,783	682,226	63,935	38,246	4,595	7,011	14,604,469
At 31 December 2017	115,516	10,283	7,519	153,474	12,975,628	607,624	72,418	24,754	3,641	5,446	13,976,303

* Included in the addition to property, plant and equipment of the Group for the year is interest capitalised amounting to RM Nil (2016: RM71,218,000).

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Securities

At 31 December 2017, certain Group's properties with carrying amounts of RM10,810,792,000 (2016: RM11,070,361,000) were charged as securities for debt securities issued by subsidiaries (see Note 18 – loans and borrowings).

3.2 Residual values

Estimating the useful life and residual value of the power plant and machinery 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 power plant and machinery however, may be different from expected.

The residual values of power plant and machinery are as below:

		Residual value	
PPA Owner	**Year of expiry**	**RM' million 2017**	**RM' million 2016**
Gas fired power plant			
Segari Energy Ventures Sdn. Bhd.	2027	170.0	170.0
GB3 Sdn. Bhd.	2022	90.0	90.0
Prai Power Sdn. Bhd.	2024	50.0	50.0
Port Dickson Power Berhad	2019	61.8	61.8
		371.8	371.8
Coal fired power plant			
Tanjung Bin Energy Sdn. Bhd.	2041	1,433.0	1,433.0
Tanjung Bin Power Sdn. Bhd.	2031	1,924.0	1,924.0
		3,357.0	3,357.0

In assessing the appropriateness of the residual values adopted, management considered the recoverable values of the power plant and machinery based on the following methods:

a) Valuation by an independent professional valuer for gas fired power plant

The valuation 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 charge of RM3,323,000 per annum.

Notes to the Consolidated Financial Statements (continued)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 Residual values (continued)

b) The discounted cash flow method for coal fired power plant

The discounted cash flows were derived using the following critical assumptions:

1) The PPAs will be extended for ten (10) years at the end of the initial concession period, in view of:
    i) the expected useful life of coal fired power plant;
    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 59% to 85% to reflect the future demand for power; and
4) The pre-tax discount rate of 10% per annum.

A 5% increase/(decrease) in the residual value would have resulted in a (decrease)/increase in depreciation charge of RM9,480,000 per annum.

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 2016	21,516	5,515	17,055	154	19,709	2,393	17,092	83,434
Additions	–	–	–	–	139	18	2,633	2,790
Disposals	–	–	–	–	–	(553)	–	(553)
At 31 December 2016/1 January 2017	21,516	5,515	17,055	154	19,848	1,858	19,725	85,671
Additions	–	–	–	–	55	270	1,793	2,118
Disposals	–	–	–	–	–	(16)	(4)	(20)
At 31 December 2017	21,516	5,515	17,055	154	19,903	2,112	21,514	87,769
Accumulated depreciation								
At 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
Disposals	–	–	–	–	–	(240)	–	(240)
At 31 December 2016/1 January 2017	–	1,115	11,194	154	16,125	1,405	16,424	46,417
Depreciation for the year	–	57	802	–	2,672	175	2,077	5,783
Disposals	–	–	–	–	–	(16)	(4)	(20)
At 31 December 2017	–	1,172	11,996	154	18,797	1,564	18,497	52,180
Carrying amounts								
At 1 January 2016	21,516	4,458	6,661	–	6,529	1,038	2,966	43,168
At 31 December 2016/1 January 2017	21,516	4,400	5,861	–	3,723	453	3,301	39,254
At 31 December 2017	21,516	4,343	5,059	–	1,106	548	3,017	35,589

4. INTANGIBLE ASSETS

Group	Subsidiaries			Associates		
	Goodwill RM'000	Interest over Power Purchase and Operation and Maintenance Agreements RM'000	Total RM'000	Goodwill RM'000	Interest over Power Purchase and Power and Water Purchase Agreements RM'000	Total RM'000
Cost						
At 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 2016/1 January 2017	8,232	7,752,609	7,760,841	390,005	939,073	1,329,078
Effect of movements in exchange rate	–	–	–	(38,123)	–	(38,123)
At 31 December 2017	8,232	7,752,609	7,760,841	351,882	939,073	1,290,955
Amortisation and impairment loss						
At 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 2016/1 January 2017	8,232	4,031,178	4,039,410	–	815,455	815,455
Amortisation for the year	–	375,255	375,255	–	10,517	10,517
At 31 December 2017	8,232	4,406,433	4,414,665	–	825,972	825,972
Carrying amounts						
At 1 January 2016	–	4,206,253	4,206,253	373,269	134,160	507,429
At 31 December 2016/1 January 2017	–	3,721,431	3,721,431	390,005	123,618	513,623
At 31 December 2017	–	3,346,176	3,346,176	351,882	113,101	464,983

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 power producing subsidiaries and associates. The Operation and Maintenance Agreements ("OMAs") held by certain subsidiaries engaged in operation and maintenance are associated with the Independent Power Producers 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 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 by the Group's power producing subsidiaries namely 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, 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. Intangible assets in relation to SEV and PDP have been fully amortised during the financial year 2017 and 2016, respectively.

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 m^3/hour
• Capacity Factor:	
– Power	10% – 75% of DC
– Water	91% – 99% of DC
• Net Output:	
– Electrical (million kW/hour)	213 – 11,197
– Water (thousand m^3)	67,370 – 73,771
• Capacity Rate:	
– Power (RM/kW/month)	11.35 – 50.00
– Water (RM/m^3/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/m^3/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.

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 and Power and Water Purchase Agreements are allocated to the following CGUs:

	Carrying amount	
	2017 RM'000	**2016 RM'000**
Goodwill		
CGU – PWPA		
HPC – gas–fuelled and water production	351,882	390,005
Total goodwill	351,882	390,005
Less: Goodwill in an associate	(351,882)	(390,005)
	–	–
Interest over PPA and PWPA		
CGU – Interest over PPA and PWPA		
HPC – gas–fuelled and water production	51,541	56,785
KEV – multi–fuel power generation	61,560	66,833
Total intangible assets	113,101	123,618
Less: Intangible assets in associates	(113,101)	(123,618)
	–	–

The impairment test of the above CGUs was based on the value in use, determined by discounting future cash flows to their present values 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% (2016: 9% – 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:

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)

It is assumed that the terms of the PPAs and PWPA will remain unchanged throughout the concession period.

• Remaining useful life of PPA/PWPA	10 – 12 years (in accordance with the respective PPA and PWPA)
• Dependable Capacity ("DC"):	
– Power	929 – 2,420MW
– Water	17,047 m^3/hour
• Capacity Factor:	
– Power	1% – 98% of DC
– Water	94% – 97% of DC
• Net Output:	
– Electrical (million kW/hour)	1,907 – 9,720
– Water (thousand m^3)	67,376 – 72,141
• Capacity Rate:	
– Power (RM/kW/month)	11.61 – 27.46
– Water (RM/m^3/month)	1,467
• Fixed Operating Rate under Revenue:	
– Power (RM/kW/month)	5.27 – 6.72
– Water (RM/m^3/month)	277 – 339
• Variable Operating Rate under Revenue:	
– Power (RM/kW/month)	0.0068 – 6.1517
– Water (RM/m^3/month)	104 – 127
• Fuel price (RM/mmBtu)	10.57 – 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 2017 and 31 December 2016, 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 (RM26,621,000)/RM27,668,000.

5. PREPAID LEASE PAYMENTS

Leasehold land **Group**	**Unexpired period less than 50 years RM'000**
Cost	
At 1 January 2016	113,223
Addition during the year	3,053
At 31 December 2016/1 January 2017	116,276
Addition during the year	–
At 31 December 2017	116,276
Amortisation	
At 1 January 2016	43,371
Amortisation for the year	4,569
At 31 December 2016/1 January 2017	47,940
Amortisation for the year	4,621
At 31 December 2017	52,561
Carrying amounts	
At 1 January 2016	69,852
At 31 December 2016/1 January 2017	68,336
At 31 December 2017	63,715

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	**2016 RM'000**
At cost		
Unquoted shares at 1 January	8,134,741	8,134,741
Addition during the year	23,794	–
Impairment loss	(447,886)	–
Unquoted shares at 31 December	7,710,649	8,134,741

As at 31 December 2017, the Company assessed its investments in subsidiaries which have 10 years or less remaining in the terms of their Power Purchase Agreement. The Company, having considered the remaining profitability of the entities against the cost of investments, has recognised an impairment loss amounting to RM447,886,000 in the profit or loss.

Notes to the Consolidated Financial Statements (continued)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	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

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	Principal activities
Direct subsidiary (continued)				
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
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
17. Tunas Pancar Sdn. Bhd	Malaysia	100	–	Dormant

Notes to the Consolidated Financial Statements (continued)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	Principal activities
Indirect subsidiary				
Held through Tanjung Bin Energy Sdn. Bhd.				
18. 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.				
19. Natural Analysis Sdn. Bhd.	Malaysia	100	100	Dormant
20. 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
21. TJSB International Limited	Cayman Islands	100	100	Offshore – Investment holding
22. TJSB Global Sdn. Bhd.	Malaysia	100	100	Investment holding
23. PT. Teknik Janakuasa^	Indonesia	95	95	Provision of operation and maintenance services to power plant and/or other utility plants
Held through TJSB International Limited				
24. TJSB International (Shoaiba) Limited	British Virgin Islands	100	100	Offshore – Investment holding
25 TJSB Middle East Limited	British Virgin Islands	100	100	Operation and maintenance of power plant
Held through Malakoff Engineering Sdn. Bhd.				
26. MESB Project Management Sdn. Bhd.	Malaysia	100	100	Dormant

Notes to the Consolidated Financial Statements (continued)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	Principal activities
Indirect subsidiary (continued)				
Held through Malakoff International Limited				
27. Malakoff Gulf Limited	British Virgin Islands	100	100	Offshore – Investment holding
28. Malakoff Technical (Dhofar) Limited	British Virgin Islands	100	100	Offshore – Investment holding
29. Malakoff AlDjazair Desal Sdn. Bhd.	Malaysia	100	100	Investment holding
30. Malakoff Oman Desalination Company Limited	British Virgin Islands	100	100	Offshore – Investment holding
31. Malakoff Hidd Holding Company Limited	Guernsey	100	100	Asset, property, investment, intellectual property and other holding companies
32. Pacific Goldtree Sdn. Bhd.	Malaysia	100	100	Investment holding
Held through Malakoff AlDjazair Desal Sdn. Bhd.				
33. Tlemcen Desalination Investment Company SAS*	France	70	70	Offshore – Investment holding
Held through Malakoff Hidd Holding Company Limited				
34. 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				
35. Tanjung Bin O&M Berhad	Malaysia	100	100	Operation and maintenance of power plant
36. PDP O&M Sdn. Bhd.^	Malaysia	100	100	Operation and maintenance of power plant

Notes to the Consolidated Financial Statements (continued)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	Principal activities
Indirect subsidiary (continued)				
Held through Hypergantic Sdn. Bhd.				
37. 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.				
38. Skyfirst Power Sdn. Bhd.	Malaysia	100	100	Investment holding
Held through Skyfirst Power Sdn. Bhd.				
39. Malakoff Australia Pty. Ltd.*	Australia	100	100	Investment holding
40. Wind Macarthur Holdings (T) Pty. Limited*	Australia	100	100	Investment holding
Held through Malakoff Australia Pty. Ltd.				
41. Malakoff Holdings Pty. Ltd.*	Australia	100	100	Investment holding
Held through Malakoff Holdings Pty. Ltd.				
42. Malakoff Wind Macarthur Holdings Pty. Limited*	Australia	100	100	Investment holding
Held through Malakoff Wind Macarthur Holdings Pty. Limited				
43. Malakoff Wind Macarthur Pty. Limited*	Australia	100	100	Leasing of wind turbine assets
Held through Wind Macarthur Holdings (T) Pty. Limited				
44. Wind Macarthur (T) Pty. Limited*	Australia	100	100	Leasing of plant and equipment
Held through Wind Macarthur (T) Pty. Limited				
45. 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

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non–controlling interests ("NCI") are as follows:

Group 2017	**Segari Energy Ventures Sdn. Bhd. RM'000**	**GB3 Sdn. Bhd. RM'000**	**Tanjung Bin Power Sdn. Bhd. RM'000**	**Other subsidiaries with immaterial NCI RM'000**	**Total RM'000**
NCI percentage of ownership interest and voting interest	6.25%	25%	10%		
Carrying amount of NCI	54,009	104,420	69,684	(2,543)	225,570
(Loss)/Profit allocated to NCI	(1,415)	13,683	54,720	(1)	66,987
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	1,586,014	640,321	5,208,945		
Current assets	714,082	171,652	4,101,875		
Non-current liabilities	(1,309,768)	(312,012)	(7,759,959)		
Current liabilities	(126,181)	(82,283)	(854,026)		
Net assets	864,147	417,678	696,835		
Year ended 31 December					
Revenue	989,791	365,730	3,958,047		
(Loss)/Profit for the year	(22,647)	54,733	547,195		
Total comprehensive (expense)/income	(22,647)	54,733	547,195		
Cash flows from operating activities	268,591	119,174	1,278,513		
Cash flows used in investing activities	(32,755)	(53,357)	(1,473,286)		
Cash flows used in financing activities	(201,280)	(80,000)	(663,926)		
Net increase/(decrease) in cash and cash equivalents	34,556	(14,183)	(858,699)		
Dividend paid to NCI	–	20,000	37,000	–	57,000

Notes to the Consolidated Financial Statements (continued)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non–controlling interests ("NCI") are as follows (continued):

Group 2016	Segari Energy Ventures Sdn. Bhd. RM'000	GB3 Sdn. Bhd. RM'000	Tanjung Bin Power Sdn. Bhd. RM'000	Other subsidiaries with immaterial NCI RM'000	Total 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)

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares:				
– in Malaysia	269,060	269,060	896,430	896,430
– outside Malaysia	86,333	86,333	–	–
Unquoted preference shares:				
– in Malaysia	–	4,000	–	–
Unquoted loan stocks:				
– in Malaysia	329,030	335,430	329,030	335,430
– outside Malaysia	115,478	115,478	–	–
Pre-acquisition reserves	125,275	125,275	–	–
Share of post-acquisition reserves	180,890	26,811	–	–
Impairment loss	–	–	(151,863)	–
	1,106,066	962,387	1,073,597	1,231,860
Add: Intangible assets acquired through business combination (see Note 4)				
Goodwill	351,882	390,005	–	–
Interest over PPA and PWPA	939,073	939,073	–	–
	1,290,955	1,329,078	–	–
Less: Amortisation of intangible assets				
At 1 January	(351,809)	(341,267)	–	–
Amortisation for the year	(10,517)	(10,542)	–	–
At 31 December	(362,326)	(351,809)	–	–
Less: Impairment loss on intangible assets				
At 1 January/31 December	(463,646)	(463,646)	–	–
	464,983	513,623	–	–
	1,571,049	1,476,010	1,073,597	1,231,860

As at 31 December 2017, the Company assessed its investment in an associate which has 12 years remaining in the terms of the Power Purchase Agreement. The Company, having considered the remaining profitability of the entity against the cost of investment, has recognised an impairment loss amounting to RM151,863,000 in the profit or loss.

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of associates are as follows:

No.	Name of company	Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	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	Kingdom of Saudi Arabia	20	20	Offshore – Investment holding
5.	Shuaibah Water & Electricity Company Limited	Kingdom of 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	Kingdom of Saudi Arabia	12	12	Development, construction, ownership, operation and maintenance of the Shuaibah Phase 3 Expansion independent water producer ("IWP"), 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	Kingdom of 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	43.48	43.48	Offshore – Investment holding
9.	Salalah Power Holdings Limited	Bermuda	43.48	43.48	Offshore – Investment holding
10.	Al–Imtiaz Operation and Maintenance Company Limited	Kingdom of 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. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of associates are as follows (continued):

No.	Name of company	Country of incorporation	Effective ownership interest and voting interest (%) 2017	2016	Principal activities
11.	Saudi-Malaysia Operation and Maintenance Services Company Limited	Kingdom of 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	Sultanate of 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.G	Sultanate of Oman	45	45	Desalination of water

7. INVESTMENTS 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 2017	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.G RM'000	Lekir Bulk Terminal Sdn. Bhd. RM'000
Summarised financial information					
As at 31 December					
Non–current assets	1,951,950	6,937,938	3,272,366	1,009,772	382,279
Current assets	1,797,544	451,410	582,735	45,906	61,040
Non-current liabilities	(2,174,062)	(4,561,463)	(3,091,051)	(868,243)	(220,614)
Current liabilities	(1,045,404)	(639,775)	(254,507)	(47,640)	(57,794)
Net assets	530,028	2,188,110	509,543	139,795	164,911
Year ended 31 December					
(Loss)/Profit	(75,588)	450,423	147,346	(3,361)	22,475
Other comprehensive income	–	171,183	145,745	9,329	–
Total comprehensive (expense)/income	(75,588)	621,606	293,091	5,968	22,475
Included in the total comprehensive income/(expense) are:					
Revenue	2,267,339	1,302,327	1,689,693	172,140	112,816
Depreciation and amortisation	(892)	(320,654)	(227,202)	(37,848)	(21,202)
Interest income	19,699	–	–	–	84
Interest expense	(198,469)	(347,893)	(161,797)	(39,031)	(1,125)
Income tax expense	(81,590)	(29,685)	–	(22,827)	(6,365)

Notes to the Consolidated Financial Statements (continued)

7. INVESTMENTS 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 2017	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.G 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	212,011	262,573	203,817	62,908	32,982	2,745	777,036
Goodwill	–	–	351,882	–	–	–	351,882
Intangible assets	61,560	–	51,541	–	–	–	113,101
Redeemable unsecured loan stocks	329,030	–	–	–	–	–	329,030
Carrying amount in the statements of financial position	602,601	262,573	607,240	62,908	32,982	2,745	1,571,049
Group's share of results							
Year ended 31 December							
Group's share of (loss)/profit for the year	(30,235)	54,051	58,938	(1,512)	4,495	3,501	89,238
Group's share of other comprehensive income	–	20,542	58,298	4,198	–	3,333	86,371
Group's share of total comprehensive (expense)/income	(30,235)	74,593	117,236	2,686	4,495	6,834	175,609
Other information							
Dividend received	–	–	20,988	–	–	547	21,535

Notes to the Consolidated Financial Statements (continued)

7. INVESTMENTS 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.G 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 income/(expense) are:					
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)

7. INVESTMENTS 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.G 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)

8. INVESTMENT IN A JOINT VENTURE

Group	2017 RM'000	2016 RM'000
At cost		
Unquoted shares, outside Malaysia	64,118	64,118
Share of post–acquisition reserves	(64,118)	(64,118)
	–	–

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.

Group	2017 RM'000	2016 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	467,339
Current assets	174,081	174,081
Non-current liabilities	(452,484)	(452,484)
Current liabilities	(188,936)	(188,936)
	–	–
Year ended 31 December		
Loss for the year	–	(155,294)
Included in the loss for the year are:		
Revenue	–	14,573
Depreciation and amortisation	–	(21,568)
Interest expense	–	(14,884)

8. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Group	2017 RM'000	2016 RM'000
Reconciliation of net assets to carrying amount		
As at 31 December		
Group's share of net assets	–	–
Carrying amount in the statements of financial position	–	–
Group's share of result		
Year ended 31 December		
Group's share of loss for the year	–	(55,440)

In the previous 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 35.

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	2017 RM'000	2016 RM'000
Minimum lease payments:		
Within one year	182,792	180,678
1–2 years	187,566	187,262
2–5 years	590,612	592,197
Over 5 years	3,730,044	4,026,282
Gross investment in finance lease	4,691,014	4,986,419
Less : Unearned finance income	(2,482,811)	(2,721,420)
Present value of minimum lease payments	2,208,203	2,264,999
Analysed as:		
1–2 years	15,251	9,796
2–5 years	84,109	67,466
Over 5 years	2,108,843	2,187,737
Total finance lease receivable	2,208,203	2,264,999
Comprising:		
Non–current	2,208,203	2,264,999
	2,208,203	2,264,999

For the financial year ended 31 December 2017, the Group recognised finance lease income of RM181,405,000 (2016: RM170,837,000) as disclosed in Note 23.

Notes to the Consolidated Financial Statements (continued)

10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	2017 Assets RM'000	2017 Liabilities RM'000	2016 Assets RM'000	2016 Liabilities RM'000
Non-current				
Derivatives used for hedging				
– Interest rate swaps	–	(112,048)	–	(153,681)
– Cross currency swaps	417,283	–	670,796	–
	417,283	(112,048)	670,796	(153,681)
Current				
Derivatives used for hedging				
– Interest rate swaps	–	(23,665)	–	(31,411)
	–	(23,665)	–	(31,411)
	417,283	(135,713)	670,796	(185,092)

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.

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Other receivables	11.1	81,540	91,902	–	–
Current					
Trade					
Trade receivables	11.2	1,535,554	1,472,533	–	–
Less: Allowance for impairment loss		(266,814)	(271,673)	–	–
		1,268,740	1,200,860	–	–
Non-trade					
Amounts due from subsidiaries	11.3	–	–	1,516,027	1,008,238
Amount due from an associate	11.4	191,904	182,312	191,904	182,312
Other receivables		511,532	511,128	8,231	3,084
Deposits and prepayments		146,658	152,257	5,697	7,723
		850,094	845,697	1,721,859	1,201,357
		2,118,834	2,046,557	1,721,859	1,201,357
		2,200,374	2,138,459	1,721,859	1,201,357

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Other receivables

Other receivables represent transaction costs 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 significant influence 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	
	2017 RM'000	**2016 RM'000**
Tenaga Nasional Berhad	1,511,028	1,442,736

11.3 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for an amount of RM652,322,469 (2016: nil) which is subject to interest rate of 5.9% per annum.

11.4 Amount due from an associate

The amount due from an associate relates to an amount which is subject to interest rate of 8% per annum (2016: 8% per annum).

12. DEFERRED TAX ASSETS AND (LIABILITIES)

Deferred tax assets and (liabilities) are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	–	–	(2,213,853)	(2,140,336)	(2,213,853)	(2,140,336)
Provisions	123,467	75,881	–	–	123,467	75,881
Intangibles	–	–	(720,390)	(804,627)	(720,390)	(804,627)
Unutilised tax losses	28,871	7,893	–	–	28,871	7,893
Unutilised capital allowances	572,538	440,339	–	–	572,538	440,339
Deferred income	866,836	800,052	–	–	866,836	800,052
Deferred expenses	–	–	(85,560)	(86,311)	(85,560)	(86,311)
Tax assets/(liabilities)	1,591,712	1,324,165	(3,019,803)	(3,031,274)	(1,428,091)	(1,707,109)
Set–off of tax	(1,452,225)	(1,254,597)	1,452,225	1,254,597	–	–
Net tax assets/(liabilities)	139,487	69,568	(1,567,578)	(1,776,677)	(1,428,091)	(1,707,109)
Company						
Property, plant and equipment	–	–	(738)	(1,705)	(738)	(1,705)

12. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

Movements in temporary differences during the year:

Group	At 1.1.2016 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive (expense)/ income (Note 28) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive (expense)/ income (Note 28) RM'000	At 31.12.2017 RM'000
Deferred tax assets							
Provisions	75,416	(1,618)	2,083	75,881	55,790	(8,204)	123,467
Unutilised tax losses	24,090	(16,197)	–	7,893	20,978	–	28,871
Unutilised capital allowances	4,061	436,278	–	440,339	132,199	–	572,538
Deferred income	746,247	53,805	–	800,052	66,784	–	866,836
Tax assets	849,814	472,268	2,083	1,324,165	275,751	(8,204)	1,591,712
Set-off of tax	(778,128)	(476,469)	–	(1,254,597)	(197,628)	–	(1,452,225)
Net tax assets	71,686	(4,201)	2,083	69,568	78,123	(8,204)	139,487
Deferred tax liabilities							
Property, plant and equipment	(1,778,955)	(361,381)	–	(2,140,336)	(73,517)	–	(2,213,853)
Intangibles	(915,165)	110,538	–	(804,627)	84,237	–	(720,390)
Deferred expense	(63,795)	(22,516)	–	(86,311)	751	–	(85,560)
Tax liabilities	(2,757,915)	(273,359)	–	(3,031,274)	11,471	–	(3,019,803)
Set-off of tax	778,128	476,469	–	1,254,597	197,628	–	1,452,225
Net tax liabilities	(1,979,787)	203,110	–	(1,776,677)	209,099	–	(1,567,578)

Company	At 1.1.2016 RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2017 RM'000
Deferred tax liabilities					
Property, plant and equipment	(426)	(1,279)	(1,705)	967	(738)

12. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

Included in the Group's deferred tax assets as at 31 December 2017 is deferred tax in relation to Malakoff Australia Pty. Ltd.'s joint venture in the Macarthur Wind Farm project amounting to RM14,183,000. In 2015, the Group made 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 entered into by the subsidiary may not be allowed as tax deductions under the Taxation of Financial Agreements ("TOFA") rules.

The Directors of the subsidiary, in consultation with the external consultants, are of the view that the swap contracts represent TOFA assets and therefore are regarded as tax deductions under TOFA rules.

The Group has estimated an increase in deferred tax liability of AUD40,986,000 (approximately RM129,544,000) as at 31 December 2017, if the swap contracts are deemed as non-deductible assets from the perspective of tax authorities.

13. INVENTORIES

	Group	
	2017	**2016**
	RM'000	**RM'000**
At cost		
Consumables	380,915	387,611
Coal	399,868	206,220
Diesel fuel	77,991	68,442
	858,774	662,273

14. OTHER INVESTMENTS

	Group	
	2017	**2016**
	RM'000	**RM'000**
Loans and receivables:		
Deposits with licensed banks and other licensed corporations	2,641,829	1,403,801

Included in other investments of the Group is an amount of RM2,250,948,000 (2016: RM1,307,764,000) placed with licensed banks which are under significant influence of the Government of Malaysia (a party that has an indirect significant influence on the Group).

Notes to the Consolidated Financial Statements (continued)

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks and other licensed corporations	1,818,306	2,646,098	351,521	312,354
Cash and bank balances	537,223	360,704	37,288	8,136
	2,355,529	3,006,802	388,809	320,490

Included in cash and cash equivalents of the Group and of the Company is an amount of RM2,000,667,000 (2016: RM2,409,872,000) and RM388,809,000 (2016: RM220,477,000) respectively placed with licensed banks and other licensed corporations which are under significant influence of the Government of Malaysia (a party that has an indirect significant influence on the Group and the Company).

16. CAPITAL AND RESERVES

Share capital

Group and Company	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Ordinary shares issued and fully paid:				
At 1 January	500,000	5,000,000	500,000	5,000,000
Transfer from share premium and capital redemption reserve	5,193,055	–	–	–
At 31 December	5,693,055	5,000,000	500,000	5,000,000

During the financial year, all amount standing to the credit of the share premium account and the capital redemption reserve account have been consolidated into the share capital account in accordance with Section 618(2) of Companies Act 2016.

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.

16. CAPITAL AND RESERVES (CONTINUED)

Treasury shares

During the financial year, the Company repurchased a total of 1,824,000 ordinary shares from the open market for a total consideration of RM1,641,294 at an average cost of RM0.90 per share. The repurchase transactions were financed by internally generated fund. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016. The Company has not cancelled any treasury shares during the financial year. As at 31 December 2017, the total number of treasury shares held is 0.036% of the total number of issued share capital of the Company.

Group and Company	Amount 2017 RM'000	Number of shares 2017 '000
Treasury shares		
At 1 January	–	–
Purchase during the year	1,641	1,824
At 31 December	1,641	1,824

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. The redemption was made proportionately in respect of each holding of RCPS, fully paid out from the retained profits and share premium account of the Company.

An amount equivalent to the nominal value of the RCPS totalling RM840,000 was transferred from the capital redemption reserve account to the share capital account pursuant to the transitional provisions set out under the requirement of Section 618(2) of the Companies Act 2016 in Malaysia.

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.

Notes to the Consolidated Financial Statements (continued)

17. PERPETUAL SUKUK

Group	2017 RM'000	2016 RM'000
Nominal value		
At 1 January	–	–
Issuance during the year	800,000	–
31 December	800,000	–

On 15 March 2017, Tanjung Bin Energy Sdn. Bhd. ("TBE"), a wholly-owned subsidiary of the Company, issued unrated perpetual sukuk of RM800 million in nominal value in accordance with Shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah") with an unconditional and irrevocable subordinated cash deficiency support from the Company.

Details of the Sukuk Wakalah are as follows:

a) The perpetual sukuk has no fixed redemption date and the Company has an option to redeem all or part of the perpetual sukuk at the end of the seventh year from date of issuance and thereafter on each subsequent periodic distribution date;

b) The perpetual sukuk is unsecured and carries a periodic distribution rate of 5.9% per annum, payable semi-annually from year 1 to year 7. Thereon, the period distribution rate shall be 1% above the prevailing periodic distribution rate;

c) The Company has the right to defer the payment of the periodic distribution amount by giving the required deferral notice. Deferred periodic distribution, if any, will be cumulative but will not earn additional profits thus there will be no compounding effect; and

d) The holder of perpetual sukuk shall have no voting rights at any general meeting of the shareholders of TBE.

Based on the underlying issuing terms, the perpetual sukuk is classified as equity in the financial statements of TBE in accordance with Malaysian Financial Reporting Standards ("MFRS").

18. LOANS AND BORROWINGS

		Group	
		2017	2016
	Note	RM'000	RM'000
Non-current			
Secured			
AUD term loan 1	18.1	442,498	453,320
AUD term loan 2	18.2	448,151	1,597,680
RM term loan	18.3	1,810	6,946
Sukuk Ijarah medium term notes	18.4	3,707,931	3,662,891
Sukuk medium term notes	18.5	3,653,761	3,921,702
Sukuk Wakalah	18.6	290,000	290,000
Senior Sukuk Murabahah	18.7	3,145,000	3,205,000
Senior RM term loan	18.8	592,550	653,310
Senior USD term loan	18.9	1,505,347	1,743,080
USD term loan	18.10	307,610	–
Unsecured			
Subordinated loan notes		85,500	92,500
		14,180,158	15,626,429
Current			
Secured			
AUD term loan 2	18.2	1,111,388	29,919
RM term loan	18.3	5,135	5,135
Sukuk medium term notes	18.5	330,000	–
Sukuk Wakalah	18.6	–	55,000
Senior Sukuk Murabahah	18.7	60,000	85,000
Senior RM term loan	18.8	60,760	46,690
Senior USD term loan	18.9	67,350	51,320
USD term loan	18.10	16,190	347,216
Unsecured			
Junior EBL term loan	18.11	–	1,290,139
		1,650,823	1,910,419
		15,830,981	17,536,848

Notes to the Consolidated Financial Statements (continued)

18. LOANS AND BORROWINGS (CONTINUED)

18.1 AUD term loan 1 drawdown by Malakoff International Limited ("MIL")

Security

As at 31 December 2017, 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

MIL is required to maintain a total debt-to-equity ratio of the parent (the Company) of not more than 1:1 and a Group total debt–to–equity ratio of not more than 5.5:1.

18.2 AUD term loan 2 drawdown by Wind Macarthur Finco Pty Limited ("WMF")

Security

As at 31 December 2017, 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.

18.3 RM term loan drawdown by Malakoff Utilities Sdn. Bhd. ("MUSB")

Security

As at 31 December 2017, the RM term loan is secured over certain property, plant and equipment with a carrying amount of RM25,904,000 (2016: RM30,574,000).

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.

18.4 Sukuk Ijarah medium term notes issued by Tanjung Bin Power Sdn. Bhd. ("TBP")

Security

As at 31 December 2017, the Sukuk Ijarah medium term notes are secured over property, plant and equipment with a carrying amount of RM4,933,823,000 (2016: RM5,088,042,000).

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.

18. LOANS AND BORROWINGS (CONTINUED)

18.5 Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")

Security

As at 31 December 2017, the Sukuk medium term notes are secured over an irrevocable and unconditional guarantee under the principal of Kafalah from the Company, an assignment and charge over MPB designated accounts and a third party assignment and charge over the Company'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.

18.6 Sukuk Wakalah issued by Tanjung Bin O&M Berhad ("TBOM")

Security

As at 31 December 2017, 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.

18.7 Senior Sukuk Murabahah issued by Tanjung Bin Energy Issuer Berhad ("TBEI")

Security

As at 31 December 2017, the Senior Sukuk Murabahah is secured over Tanjung Bin Energy Sdn. Bhd. ("TBE")'s property, plant and equipment with a carrying amount of RM5,851,065,000 (2016: RM5,951,745,000).

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.

18.8 Senior RM term loan drawdown by TBEI

Security

As at 31 December 2017, the Senior RM term loan is secured over TBE's property, plant and equipment as disclosed in Note 18.7.

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.

Notes to the Consolidated Financial Statements (continued)

18. LOANS AND BORROWINGS (CONTINUED)

18.9 Senior USD term loan drawdown by TBEI

Security

As at 31 December 2017, the Senior USD term loan is secured over TBE's property, plant and equipment as disclosed in Note 18.7.

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.

18.10 USD term loan drawdown by MIL

Security

As at 31 December 2017, the USD term loan is secured over MIL's designated account and its investment in a subsidiary.

Significant covenant

During the financial year, MIL refinanced the USD term loan. Following the refinancing, MIL is required to maintain a debt-to-equity ratio of the Guarantor (the Company) of not more than 1:1 (2016: 1.25:1) and a Group debt-to-equity ratio of not more than 5.5:1 (2016: 7:1).

18.11 Junior EBL term loan facility drawdown by TBEI

Significant covenant

TBEI was 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. The Junior EBL term loan facility was fully settled during the financial year.

18.12 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 January 2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movements RM'000	Others RM'000	At 31 December 2017 RM'000
AUD term loan 1	453,320	–	(10,822)	–	442,498
AUD term loan 2	1,627,599	(30,356)	(37,704)	–	1,559,539
RM term loan	12,081	(5,136)	–	–	6,945
Sukuk Ijarah medium term notes	3,662,891	–	–	45,040	3,707,931
Sukuk medium term notes	3,921,702	–	–	62,059	3,983,761
Sukuk Wakalah	345,000	(55,000)	–	–	290,000
Senior Sukuk Murabahah	3,290,000	(85,000)	–	–	3,205,000
Senior RM term loan	700,000	(46,690)	–	–	653,310
Senior USD term loan	1,794,400	(36,025)	(185,678)	–	1,572,697
USD term loan	347,216	11,250	(34,666)	–	323,800
Junior EBL term loan	1,290,139	(1,290,139)	–	–	–
Subordinated loan notes	92,500	–	–	(7,000)	85,500
	17,536,848	(1,537,096)	(268,870)	100,099	15,830,981

19. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Defined benefit obligations	120,421	102,463	32,197	21,593
Fair value of plan assets	(4,648)	(7,635)	(1,379)	(1,993)
Net defined benefit liabilities	115,773	94,828	30,818	19,600

The Company's Staff Retirement Benefits Scheme ("the Scheme") provides pension benefits for 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:

Movements in defined benefit obligations

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Defined benefit obligations at beginning of the year	102,463	94,399	21,593	21,931
Included in profit or loss				
Current service cost	7,260	7,301	1,686	1,797
Interest cost	5,219	4,943	1,080	1,146
	12,479	12,244	2,766	2,943
Included in other comprehensive (expense)/income				
Actuarial loss arising from:				
– Financial assumptions	10,315	2,022	2,509	385
– Demographic assumptions	(1,823)	–	(525)	–
– Experience	3,626	–	4,196	–
	12,118	2,022	6,180	385
Others				
Benefits paid directly by the employer	(2,347)	(3,486)	(324)	(1,313)
Benefits paid by the plan	(4,292)	(2,716)	(1,190)	(2,353)
Intercompany transfer	–	–	3,172	–
	(6,639)	(6,202)	1,658	(3,666)
Defined benefit obligations at end of the year	120,421	102,463	32,197	21,593

Notes to the Consolidated Financial Statements (continued)

19. EMPLOYEE BENEFITS (CONTINUED)

Movements in fair value of plan assets

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plan assets at beginning of the year	(7,635)	(9,501)	(1,993)	(8,332)
Included in profit or loss				
Interest income	(418)	(549)	(107)	(469)
	(418)	(549)	(107)	(469)
Included in other comprehensive (expense)/income				
Return on scheme assets lesser than discount rate	134	814	(166)	4,825
	134	814	(166)	4,825
Others				
Benefits paid by the plan	4,292	2,716	1,190	2,353
Employer contribution	(1,021)	(1,115)	(303)	(370)
	3,271	1,601	887	1,983
Plan assets at end of the year	(4,648)	(7,635)	(1,379)	(1,993)

19. EMPLOYEE BENEFITS (CONTINUED)

Movements in net defined benefit liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net defined benefit liabilities at beginning of the year	94,828	84,898	19,600	13,599
Included in profit or loss				
Current service cost	7,260	7,301	1,686	1,797
Interest cost	4,801	4,394	973	677
	12,061	11,695	2,659	2,474
Included in other comprehensive (expense)/income				
Actuarial loss arising from:				
– Demographic assumptions	(1,823)	2,022	(525)	385
– Financial assumptions	10,315	–	2,509	–
– Experience	3,626	–	4,196	–
Return on scheme assets lesser than discount rate	134	814	(166)	4,825
	12,252	2,836	6,014	5,210
Others				
Benefits paid directly by the employer	(2,347)	(3,486)	(324)	(1,313)
Employer contribution	(1,021)	(1,115)	(303)	(370)
Intercompany transfer	–	–	3,172	–
	(3,368)	(4,601)	2,545	(1,683)
Net defined benefit liabilities at end of the year	115,773	94,828	30,818	19,600

The Group expects to pay RM7,632,000 (2016: RM4,155,000) in contributions to the defined benefit plan in 2018.

Plan assets

The major categories of plan assets are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Equity instruments	2,789	4,519	827	1,180
Malaysian government securities	995	1,496	295	391
Foreign investments	177	176	52	46
Derivatives	14	–	4	–
Cash and cash equivalents	493	1,153	146	301
Others	180	291	55	75
	4,648	7,635	1,379	1,993

Notes to the Consolidated Financial Statements (continued)

19. EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period:

	Group		Company	
	2017	**2016**	**2017**	**2016**
Discount rate	5.00%	5.20%	5.00%	5.20%
Salary inflation	8.88%	7.88%	8.88%	7.88%

As at 31 December 2017, the duration of the Scheme is estimated 10 years (2016: 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	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on the aggregate service and interest costs				
Discount rate				
One percentage point increase	(220)	(314)	(41)	(97)
One percentage point decrease	204	310	39	103
Salary inflation				
One percentage point increase	1,327	1,560	285	394
One percentage point decrease	(1,168)	(1,348)	(252)	(332)
Impact on the defined benefit obligation				
Discount rate				
One percentage point increase	(10,424)	(9,809)	(2,728)	(2,340)
One percentage point decrease	12,006	11,524	3,111	2,961
Salary inflation				
One percentage point increase	11,541	13,400	2,995	3,443
One percentage point decrease	(10,248)	(11,544)	(2,685)	(2,786)

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

20. PROVISION FOR DECOMMISSIONING COST

	Group	
	2017 RM'000	2016 RM'000
Non-current	91,831	85,625

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 PPA term.

The provision is based on the valuation report prepared by a professional valuer. The present value is derived by discounting the decommissioning cost over the remaining useful life of the power plant based on the appropriate discount rates.

21. DEFERRED INCOME

	Group	
	2017 RM'000	2016 RM'000
At beginning of the year	3,333,550	3,109,363
Additions	382,677	365,294
Credited to profit or loss	(104,410)	(141,107)
At end of the year	3,611,817	3,333,550
Non-current	3,553,403	3,230,403
Current	58,414	103,147
At end of the year	3,611,817	3,333,550

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade payables	22.1	831,926	501,655	–	–
Non-trade					
Other payables	22.2	131,626	86,814	9,436	10,721
Accrued expenses	22.2	548,749	413,774	20,972	5,655
Amounts due to subsidiaries	22.3	–	–	1,892,394	1,302,491
		680,375	500,588	1,922,802	1,318,867
		1,512,301	1,002,243	1,922,802	1,318,867

Notes to the Consolidated Financial Statements (continued)

22. TRADE AND OTHER PAYABLES (CONTINUED)

22.1 Trade payables

Included in trade payables of the Group are amounts owing to entities that are under significant influence 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	
	2017	**2016**
	RM'000	**RM'000**
Petroliam Nasional Berhad	70,982	46,917
TNB Fuel Services Sdn. Bhd.	715,994	435,058
Tenaga Nasional Berhad	9,995	9,663
	796,971	491,638

22.2 Other payables and accrued expenses

As at 31 December 2017, included in accrued expenses of the Group are interest expense payable of RM139,575,000 (2016: RM140,263,000) and provision for CESS fund of RM32,123,000 (2016: RM32,562,000).

22.3 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 (2016: RM771,326,000), which is subject to an interest rate of 7.71% (2016: 7.71%) per annum.

23. REVENUE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Electricity generation and distribution	6,930,567	5,885,222	–	–
Project management fees	1,625	1,686	1,625	1,686
Rental income from estate	3,703	4,264	3,703	4,264
Operation and maintenance fees	13,140	36,411	–	–
Finance lease income	181,405	170,837	–	–
Dividends from subsidiaries	–	–	393,920	330,085
Management fees from subsidiaries	–	–	16,480	26,101
	7,130,440	6,098,420	415,728	362,136

24. FINANCE INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest income on financial assets that are not at fair value through profit or loss	213,290	193,828	89,335	56,186
Recognised in profit or loss	213,290	191,252	89,335	56,186
Capitalised on qualifying assets as a deduction from the borrowing costs:				
– Property, plant and equipment	–	2,576	–	–
	213,290	193,828	89,335	56,186

25. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss				
– Loans and borrowings	1,026,347	1,080,857	86,291	59,470
Other finance costs	6,204	4,982	–	–
	1,032,551	1,085,839	86,291	59,470
Recognised in profit or loss	1,032,551	1,012,045	86,291	59,470
Capitalised on qualifying assets:				
– Property, plant and equipment	–	73,794	–	–
	1,032,551	1,085,839	86,291	59,470

Notes to the Consolidated Financial Statements (continued)

26. INCOME TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
Malaysian – current year	461,314	414,599	16,737	14,197
Overseas – current year	1,434	7,999	–	–
Under/(Over) provision in prior years	36,062	7,810	32,269	(893)
	498,810	430,408	49,006	13,304
Deferred tax expense				
Origination and reversal of temporary differences	(282,794)	(195,884)	(65)	1,313
Overseas – current year	4,331	–	–	–
Over provision in prior years	(8,759)	(3,025)	(902)	(34)
	(287,222)	(198,909)	(967)	1,279
Total income tax expense	211,588	231,499	48,039	14,583
Reconciliation of tax expense				
Profit/(Loss) for the year	376,938	406,042	(336,838)	248,458
Total income tax expense	211,588	231,499	48,039	14,583
Profit/(Loss) excluding tax	588,526	637,541	(288,799)	263,041
Tax at Malaysian tax rate of 24%	141,246	153,010	(69,312)	63,130
Non-taxable income	(16,508)	(17,451)	(94,541)	(79,220)
Non-deductible expenses	76,922	94,732	180,525	31,600
Effect of tax rates in foreign jurisdictions	4,042	974	–	–
Effect of share of results of associates	(21,417)	(4,551)	–	–
Under/(Over) provision in prior years				
– current tax	36,062	7,810	32,269	(893)
– deferred tax	(8,759)	(3,025)	(902)	(34)
Total income tax expense	211,588	231,499	48,039	14,583

Notes to the Consolidated Financial Statements (continued)

27. PROFIT/(LOSS) FOR THE YEAR

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) for the year is arrived at after charging:				
Amortisation of intangible assets	385,772	495,364	–	–
Amortisation of prepaid lease payments	4,621	4,569	–	–
Amortisation of transaction costs of hedging instruments	10,678	12,178	–	–
Auditors' remuneration:				
Audit fees				
– KPMG	1,794	1,975	639	743
– Other audit firms	575	569	300	230
Non-audit fees*				
– KPMG	1,521	1,322	941	576
– Other audit firms	357	–	157	–
Contribution and Corporate Social Responsibility activities	12,000	12,000	–	–
Depreciation of property, plant and equipment	927,224	900,833	5,783	6,391
Impairment loss on investment in a subsidiary	–	–	447,886	–
Impairment loss on investment in an associate	–	–	151,863	–
Loss on disposal of property, plant and equipment	–	162	–	162
Personnel expenses (including key management personnel):				
Contribution to Employees Provident Fund	20,764	22,087	6,934	6,915
Expenses related to retirement benefit plans	12,061	11,695	2,659	2,474
Wages, salaries and others	142,995	152,269	40,618	40,560
Property, plant and equipment written off	5,451	23,014	–	–
Realised foreign exchange loss	1,756	4,858	62	–
Unrealised foreign exchange loss	10,047	10,041	–	–
Zakat expenses	1,300	1,592	1,300	1,592
and after crediting:				
Dividends from subsidiaries	–	–	393,920	330,085
Gain arising from change in fair value of derivative financial instruments	26,024	16,962	–	–
Reversal of impairment loss on trade receivables	4,859	–	–	–
Realised foreign exchange gain	1,250	535	–	530
Unrealised foreign exchange gain	1,193	1,362	–	–

* The non-audit fees paid/payable to KPMG were mainly related to tax compliance services and other advisory services largerly in respect of potential business undertakings and loan refinancing activities.

Notes to the Consolidated Financial Statements (continued)

28. OTHER COMPREHENSIVE (EXPENSE)/INCOME

Group	Before tax RM'000	Tax credit/ (expense) RM'000	Net of tax RM'000
2017			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(12,252)	1,440	(10,812)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge – Loss arising during the year	(59,721)	(9,644)	(69,365)
Share of gain on hedging reserve of equity-accounted associates	86,371	–	86,371
Foreign currency translation differences for foreign operations			
– Loss arising during the year	(15,331)	–	(15,331)
	11,319	(9,644)	1,675
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
Company			
2017			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(6,014)	–	(6,014)
2016			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(5,210)	–	(5,210)

Notes to the Consolidated Financial Statements (continued)

29. EARNINGS PER SHARE

Basic/Diluted earnings per ordinary share

The calculation of basic/diluted earnings per ordinary share at 31 December 2017 is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	2017	2016
Profit attributable to ordinary shareholders (RM'000)	309,951	355,463
Weighted average number of ordinary shares at 31 December ('000)	4,999,937	5,000,000
Basic/Diluted earnings per ordinary share (sen)	6.20	7.11

30. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2017			
Final 2016 ordinary	3.50	175,000	23 May 2017
Interim 2017 ordinary	2.50	125,000	6 October 2017
Total amount		300,000	
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	

At the forthcoming Annual General Meeting, a final single-tier dividend of 3.70 sen per ordinary share in respect of the financial year ended 31 December 2017 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

31. OPERATING SEGMENTS

During the financial year, the Chief Executive Officer ("the chief operating decision maker") has reviewed the operating segments of asset management and the operation & maintenance divisions and is of the view that they are interdependent and form a single strategic business unit. As such, these operating segments results are no longer applicable for the current reporting.

As the Group continues to explore and diversify its assets portfolio, both domestically and internationally, the Management, for the purpose of making informed decisions, monitors and reports the operating results of local and foreign segments under the Group's segmental reporting. Segment operating results, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

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 are presented in a manner that is consistent with the internal reporting provided to management for the allocation of resource and assessment of segment performance.

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 are presented in a manner that is consistent with the internal reporting provided to management for the allocation of resource and assessment of segment performance.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

31. OPERATING SEGMENTS (CONTINUED)

	Local		Foreign		Eliminations[A]		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Business segments								
Revenue from external customers	6,937,934	5,895,219	192,506	203,201	–	–	7,130,440	6,098,420
Inter-segment revenue	1,463,847	1,913,470	79,253	108,332	(1,543,100)	(2,021,802)	–	–
Total segment revenue	8,401,781	7,808,689	271,759	311,533	(1,543,100)	(2,021,802)	7,130,440	6,098,420
Profit after tax	1,050,947	1,140,133	101,451	185,260	(775,460)	(919,351)	376,938	406,042

	Local		Foreign		Eliminations[A]		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Segment assets	42,421,553	43,534,090	4,220,793	4,410,895	(18,295,398)	(19,157,459)	28,346,948	28,787,526
Investment in associates	1,087,378	1,249,641	201,630	201,630	282,041	24,739	1,571,049	1,476,010
							29,917,997	30,263,536
Segment liabilities	30,725,315	32,390,459	3,478,090	3,643,928	(11,202,069)	(11,902,146)	23,001,336	24,132,241
Capital expenditure	308,790	488,993	–	–	(4,281)	(16,950)	304,509	472,043

A. Inter-segment transactions are eliminated on consolidation

31. OPERATING SEGMENTS (CONTINUED)

	Local		Foreign		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-cash expenses items:						
Amortisation of intangible assets	(380,528)	(490,110)	(5,244)	(5,254)	(385,772)	(495,364)
Amortisation of prepaid lease payments	(4,621)	(4,569)	–	–	(4,621)	(4,569)
Amortisation of transaction costs of hedging instruments	(10,678)	(12,178)	–	–	(10,678)	(12,178)
Depreciation of property, plant and equipment	(927,224)	(900,833)	–	–	(927,224)	(900,833)
Expenses related to retirement benefit plans	(12,061)	(11,695)	–	–	(12,061)	(11,695)
Property, plant and equipment written off	(5,451)	(23,014)	–	–	(5,451)	(23,014)
	(1,340,563)	(1,442,399)	(5,244)	(5,254)	(1,345,807)	(1,447,653)

Geographical information

The local and foreign 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	Revenue 2017 RM'000	Non-current assets 2017 RM'000	Revenue 2016 RM'000	Non-current assets 2016 RM'000
Geographical information				
Malaysia	6,937,933	17,386,194	5,895,219	18,394,236
Indonesia	5,882	–	18,999	–
Middle East	5,220	–	13,365	–
Australia	181,405	–	170,837	–
	7,130,440	17,386,194	6,098,420	18,394,236

Major customer

The following is a major customer with revenue equal or more than 10% of the Group's total revenue:

	Revenue	
Group	2017 RM'000	2016 RM'000
Tenaga Nasional Berhad	6,794,754	5,750,628

Notes to the Consolidated Financial Statements (continued)

32. FINANCIAL INSTRUMENTS

32.1 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	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL– DUIR RM'000
2017			
Financial assets			
Trade and other receivables*	2,031,102	2,031,102	–
Other investments	2,641,829	2,641,829	–
Cash and cash equivalents	2,355,529	2,355,529	–
Derivative financial assets	417,283	–	417,283
	7,445,743	7,028,460	417,283
Financial liabilities			
Loans and borrowings	(15,830,981)	(15,830,981)	–
Trade and other payables*	(1,502,068)	(1,502,068)	–
Derivative financial liabilities	(135,713)	–	(135,713)
	(17,468,762)	(17,333,049)	(135,713)
2016			
Financial assets			
Trade and other receivables*	1,973,633	1,973,633	–
Other investments	1,403,801	1,403,801	–
Cash and cash equivalents	3,006,802	3,006,802	–
Derivative financial assets	670,796	–	670,796
	7,055,032	6,384,236	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)

* Excludes non-financial instruments

Notes to the Consolidated Financial Statements (continued)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Categories of financial instruments (continued)

Company	Carrying amount RM'000	L&R/ (FL) RM'000
2017		
Financial assets		
Trade and other receivables	1,721,859	1,721,859
Cash and cash equivalents	388,809	388,809
	2,110,668	2,110,668
Financial liabilities		
Trade and other payables*	(1,922,797)	(1,922,797)
	(1,922,797)	(1,922,797)
2016		
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)

* Excludes non-financial instruments

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and receivables	208,789	178,250	89,273	56,717
Financial liabilities measured at amortised cost	(1,032,551)	(1,085,839)	(86,291)	(59,470)
Fair value through profit or loss designated upon initial recognition	26,024	16,962	–	–
	(797,738)	(890,627)	2,982	(2,753)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

32.4 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 Tenaga Nasional Berhad ("TNB"), representing approximately 57% (2016: 57%) 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.

Notes to the Consolidated Financial Statements (continued)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 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	
	2017	**2016**
	RM'000	**RM'000**
Domestic	1,262,293	1,193,040
Others	6,447	7,820
	1,268,740	1,200,860

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**
2017			
Not past due	1,256,418	–	1,256,418
Past due 0 – 30 days	2,808	–	2,808
Past due 31 – 120 days	3,149	–	3,149
Past due more than 120 days	273,179	(266,814)	6,365
	1,535,554	(266,814)	1,268,740
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

At the end of the reporting period, trade receivables with carrying amounts of RM12,322,000 (2016: RM9,080,000) were past due but not considered impaired. These trade receivables relate to customers for whom there have not been significant change in credit quality and the amounts are considered recoverable.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 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	2017 RM'000	2016 RM'000
At beginning of the year	271,673	271,673
Impairment loss reversed	(4,859)	–
At end of the year	266,814	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.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to banks in respect of bid bonds, performance bonds and security deposits for certain subsidiaries' ongoing projects. The Group and the Company monitor the subsidiaries' projects closely.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk for the Group and the Company amounted to RM614,250,000 (2016: RM519,623,000) and RM170,045,000 (2016: RM169,507,000), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. As at the end of the reporting period, there was no indication that the subsidiaries would default on their projects.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

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 wholly-owned subsidiaries of the Company.

32.5 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 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
2017							
Financial liabilities							
Secured							
AUD term loan 1	442,498	BBSY*+ margin 1.33	463,608	14,087	449,521	–	–
AUD term loan 2	1,559,539	5.73 – 7.82	1,884,476	1,190,623	59,879	188,786	445,188
RM term loan	6,945	6.67	7,233	5,413	1,820	–	–
Sukuk Ijarah medium term notes	3,707,931	4.54 – 5.45	5,424,452	201,539	726,539	1,591,184	2,905,190
Sukuk medium term notes	3,983,761	4.90 – 6.25	5,988,766	568,775	892,605	1,748,347	2,779,039
Sukuk Wakalah	290,000	4.80 – 5.60	407,885	7,626	14,966	98,633	286,660
Senior Sukuk Murabahah	3,205,000	4.76 – 6.20	5,274,042	246,172	247,777	720,496	4,059,597
Senior RM term loan	653,310	5.58 – 5.80	897,625	99,838	114,048	390,340	293,399
Senior USD term loan	1,572,697	5.80	2,441,483	161,252	194,766	630,534	1,454,931
USD term loan	323,800	Libor+ margin 1.20	342,143	23,804	23,414	294,925	–
	15,745,481		23,131,713	2,519,129	2,725,335	5,663,245	12,224,004
Unsecured							
Subordinated loan notes	85,500	9.00	136,763	13,945	22,133	29,650	71,035
Trade and other payables	1,502,068	–	1,502,068	1,502,068	–	–	–
	17,333,049		24,770,544	4,035,142	2,747,468	5,692,895	12,295,039

Notes to the Consolidated Financial Statements (continued)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 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
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	–	–	–
	16,154,209		26,900,846	1,557,969	2,544,550	6,972,315	15,826,012
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

* Bank Bill Swap Bid Rate ("BBSY")

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 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
2017				
Financial liabilities				
Unsecured				
Other payables and accruals	30,403	–	30,403	30,403
Amounts due to subsidiaries	771,326	7.71	830,795	830,795
Amounts due to subsidiaries	1,121,068	–	1,121,068	1,121,068
	1,922,797		1,982,266	1,982,266
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

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 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.

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:

	AUD RM'000	CHF RM'000	KWD RM'000	EUR RM'000	USD RM'000
2017					
Deposits with licensed banks	26,307	–	15,868	–	40,726
Trade and other receivables	112	–	4,620	–	–
Loans and borrowings	(2,002,037)	–	–	–	(323,800)
Trade and other payables	(589)	(69)	–	–	(1,332)
Net exposure	(1,976,207)	(69)	20,488	–	(284,406)
2016					
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)

Notes to the Consolidated Financial Statements (continued)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have functional currencies other than Ringgit Malaysia. A 10% (2016: 10%) strengthening of the RM against the following currencies would have increased/(decreased) post–tax profit 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.

	Profit or loss	
	2017	**2016**
Group	**RM'000**	**RM'000**
AUD	150,192	156,938
CHF	5	486
KWD	(1,557)	(1,183)
EUR	–	29
USD	21,615	17,364
	170,255	173,634

A 10% (2016: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

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)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (continued)

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed rate instruments				
– Financial assets	4,997,358	4,410,603	388,809	312,354
– Financial liabilities	(14,901,355)	(16,238,777)	–	–
Floating rate instruments				
– Financial liabilities	(929,626)	(1,298,071)	–	–

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**
2017				
Floating rate instruments	9,296	(9,296)	–	–
Interest rate swaps	–	–	86,768	(85,976)
Cross currency swaps	–	–	124,307	(144,260)
Cash flow sensitivity (net)	9,296	(9,296)	211,075	(230,236)
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)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities

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 namely 75% of Junior Tranche Loan of RM967,604,587, 75% of Senior Tranche Loan of RM525,000,000, 100% of USD Loan of USD400,000,000 and 88% of AUD Loan of AUD517,644,989.

For IRS and CCS entered by a subsidiary in Malaysia, the notional amount of the various swaps starts 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 IRS entered by a subsidiary in Australia, the Group has IRS with a notional value of AUD464 million. The IRS was entered into for a period of 10 to 17 years.

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
2017						
Financial asset						
Cross currency swaps	417,283	527,466	9,174	25,458	108,709	384,125
Financial liability						
Interest rate swaps	(135,713)	(265,253)	(47,031)	(40,769)	(95,392)	(82,061)
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)

During the financial year, a loss of RM69,365,000 (2016: gain of RM15,631,000) was recognised in other comprehensive income.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities (continued)

Cash flow hedge (continued)

Ineffectiveness gain amounting to RM26,024,000 (2016: RM16,962,000) 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
2017		
Cross currency swaps	179,353	(179,353)
Fair value sensitivity (net)	179,353	(179,353)
2016		
Cross currency swaps	206,247	(206,247)
Fair value sensitivity (net)	206,247	(206,247)

32.8 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Fair value information (continued)

2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
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	fair value RM'000	amount RM'000
Non-current										
Financial assets										
Derivative financial assets:										
Cross currency swaps	–	417,283	–	417,283	–	–	–	–	417,283	417,283
Finance lease receivable	–	–	–	–	–	–	2,208,203	2,208,203	2,208,203	2,208,203
	–	417,283	–	417,283	–	–	2,208,203	2,208,203	2,625,486	2,625,486
Financial liabilities										
Derivative financial liabilities:										
Interest rate swaps	–	(112,048)	–	(112,048)	–	–	–	–	(112,048)	(112,048)
Loans and borrowings										
Secured:										
AUD term loan 1	–	–	–	–	–	–	(435,945)	(435,945)	(435,945)	(442,498)
AUD term loan 2	–	–	–	–	–	–	(644,747)	(644,747)	(644,747)	(448,151)
RM term loan	–	–	–	–	–	–	(1,703)	(1,703)	(1,703)	(1,810)
Sukuk Ijarah medium term notes	–	–	–	–	–	(4,078,116)	–	(4,078,116)	(4,078,116)	(3,707,931)
Sukuk medium term notes	–	–	–	–	–	(4,462,257)	–	(4,462,257)	(4,462,257)	(3,653,761)
Sukuk Wakalah	–	–	–	–	–	(290,934)	–	(290,934)	(290,934)	(290,000)
Senior Sukuk Murabahah	–	–	–	–	–	(3,329,981)	–	(3,329,981)	(3,329,981)	(3,145,000)
Senior RM term loan	–	–	–	–	–	–	(754,762)	(754,762)	(754,762)	(592,550)
Senior USD term loan	–	–	–	–	–	–	(2,152,636)	(2,152,636)	(2,152,636)	(1,505,347)
USD term loan	–	–	–	–	–	–	(310,204)	(310,204)	(310,204)	(307,610)
Unsecured:										
Subordinated loan notes	–	–	–	–	–	–	(112,468)	(112,468)	(112,468)	(85,500)
	–	(112,048)	–	(112,048)	–	(12,161,288)	(4,412,465)	(16,573,753)	(16,685,801)	(14,292,206)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Fair value information (continued)

2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
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	fair value RM'000	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)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Fair value information (continued)

Level 2 fair value

Derivatives

The IRS and CCS instruments entered by a 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 IRS entered by a subsidiary in Australia, the fair value of IRS are based on broker quotes. These 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 Group's 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.

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 (2016: 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Fair value information (continued)

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 borrowings 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 with 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.

33. 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.

33.1 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 Sukuk medium term notes issued by MPB, the Company is required to maintain an aggregated debt-to-equity ratio of not more than 1:1.

In the previous financial year, for the Junior EBL term loan for TBEI, the Company was required to maintain an aggregated debt-to-equity ratio of not more than 1.25:1. The Junior EBL term loan was fully settled during the financial year.

The following shows the debt-to-equity ratios as at the end of the financial years:

	2017	2016
Company debt-to-equity ratio	0.59:1	0.70:1

Notes to the Consolidated Financial Statements (continued)

33. CAPITAL MANAGEMENT (CONTINUED)

33.1 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 USD term loan and AUD term loan 1, held 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 the financial years:

	2017	**2016**
Company debt-to-equity ratio	0.58:1	0.69:1

33.2 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 Sukuk medium term notes issued by MPB, USD term loan and AUD term loan 1 held by MIL, the Group is required to maintain its debt-to-equity ratio of not more than 5.5:1.

In the previous financial year, for the Junior EBL term loan for TBEI, the Group was required to maintain its debt-to-equity ratio of not more than 7:1. The Junior EBL term loan was fully settled during the financial year.

The following shows the debt-to-equity ratio as at the end of the financial years:

	2017	**2016**
Group debt-to-equity ratio	2.52:1	3.00:1

Debt covenants in relation to subsidiaries are disclosed in Note 18.

There were no changes in the Group's approach to capital management during the year.

34. CAPITAL COMMITMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Plant and equipment				
Authorised but not contracted for	374,456	559,124	2,538	6,004
	374,456	559,124	2,538	6,004

35. CONTINGENCIES

Contingent liabilities not considered remote

Litigations

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.

In 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 has 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, amounting 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.

Notes to the Consolidated Financial Statements (continued)

35. CONTINGENCIES (CONTINUED)

Contingent liabilities not considered remote (continued)

Litigations (continued)

Proceedings by the Public Prosecutor of Algeria against Almiyah Attilemcania SPA ("AAS") (continued)

Notwithstanding the decision of the Court, AAS has been advised by its solicitor, Maitre Hadjer Becha, 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.

In the previous financial year, the Group has recognised a provision amounting to RM36.1 million in respect of the foregoing. Notwithstanding this, AAS will continue with the appeal until the exhaustion of all rights.

Save as disclosed above, there has been no significant change in material litigation, including the status of pending material litigation in respect of the Group during the current quarter under review.

36. 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.

36. RELATED PARTIES (CONTINUED)

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 22.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
i. Associate				
Interest income on unsecured subordinated loan notes	42,280	46,977	42,280	46,977
ii. Subsidiaries				
Management fees	–	–	16,480	26,101
Dividends	–	–	393,920	330,085
Interest expense on advances from a subsidiary	–	–	(86,291)	(59,470)
iii. Entities that are under significant influence 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	7,039,624	5,880,998	–	–
Purchase of electricity bulk supply	(120,466)	(119,112)	–	–
Petroliam Nasional Berhad				
Purchase of gas	(636,141)	(529,921)	–	–
Petronas Dagangan Berhad				
Purchase of diesel	–	(933)	–	–
TNB Fuel Services Sdn. Bhd.				
Purchase of coal	(3,265,416)	(1,927,065)	–	–
Purchase of diesel	–	(316)	–	–
Financial institutions and other corporations				
Interest income	132,339	114,607	15,129	7,047
Energy Commission				
CESS fund contribution	(27,644)	(29,088)	–	–
Malaysian Resources Corporation Berhad				
Sales of centralised chilled water and electricity	31,224	15,678	–	–

36. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
iv. Key management personnel				
Directors				
– Salary	1,155	1,000	1,155	1,000
– Fees	1,193	1,165	1,193	1,165
– Meeting allowances	512	485	510	484
– Other allowances	301	282	301	282
– Other remuneration	870	1,433	458	458
– Estimated monetary value of benefit-in-kind	103	123	80	104
	4,134	4,488	3,697	3,493

37. SIGNIFICANT EVENT DURING THE YEAR

The initial Power Purchase Agreement ("PPA") for Segari Energy Ventures Sdn. Bhd. ("SEV"), a subsidiary of the Company, which expired on 30 June 2017 has been extended for a period of ten (10) years, effective from 1 July 2017 to 30 June 2027 under the new PPA entered with Tenaga Nasional Berhad.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 125 to 227 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………

Datuk Haji Hasni bin Harun
Chairman

…………………………………………………….

Dato' Sri Che Khalib bin Mohamad Noh
Director

Kuala Lumpur
Date: 8 March 2018

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Mohd Nazersham bin Mansor, 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 125 to 227 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 Mohd Nazersham bin Mansor, NRIC: 730416-14-5671, at Kuala Lumpur in the Federal Territory on 8 March 2018.

…………………………………….

Mohd Nazersham bin Mansor

Before me:

Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Malakoff Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 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 125 to 227.

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 2017, and of their financial performance and 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 2016 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.

Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia) (continued)

KEY AUDIT MATTERS

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

Group
Goodwill and amount due from associates

Refer to Note 2 – Significant accounting policy: Intangible assets and Note 4 and 11 – Intangible Assets and Trade and Other Receivables.

The key audit matter	How the matter was addressed in our audit

We focused on goodwill and investments in associates of the Group as the carrying amounts are material and the impairment test is sensitive to a 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 investments in associates.
	We performed the following audit procedures, among others:
	• We evaluated management's cash flow projections and the process by which they were developed. We compared the projections to Board approved business plans and also compared previous projections 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 Power Purchase Agreement (PPA);
	  • Net energy output – we compared the assumption to the forecasted demand prepared by the customer; and
	  • Discount rate – we used our own specialist to compare the discount rate used to industry practice and external sources.
	• 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 investments in associates.

Independent Auditors' Report

to the members of MALAKOFF CORPORATION BERHAD
(Company No. 731568–V) (Incorporated in Malaysia) (continued)

KEY AUDIT MATTERS (CONTINUED)

Company level
Valuation of Cost of Investments in Subsidiaries and Associates

Refer to Note 2 - Significant accounting policy: Investments in Subsidiaries and Investments in Associates and Note 6 and 7 – Investments in Subsidiaries and Investments in Associates.

The key audit matter	How the matter was addressed in our audit
At 31 December 2017, the Company has significant investments in subsidiaries and associates amounting to RM7,710,649,000 (2016: RM8,134,741,000) and RM1,073,597,000 (2016: RM1,231,860,000) respectively. We identified the potential impairment of the cost of investments in subsidiaries and associates as a key audit matter due to the following factors: – significance of the assets to the Company's statements of financial position; and – impairment assessments prepared by the Company are complex and contain assumptions, particularly profit margin, growth rate and discount rates that are inherently uncertain.	We performed the following audit procedures, among others: • We assessed the significant and highly sensitive assumptions to determine if they are appropriate and supportable by comparing those assumptions with internally derived information and external market data; and • We considered the adequacy of the disclosures of the assumptions applied, which are particularly sensitive, uncertain or require significant judgement, in the assessment of investments in subsidiaries.

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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as 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.

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

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

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

- 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.

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)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 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 MATTERS

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

KPMG PLT
(LLP0010081–LCA & AF 0758)
Chartered Accountants

Foong Mun Kong
Approval Number: 02613/12/18(J)
Chartered Accountant

Petaling Jaya

Date: 8 March 2018

List of Properties

The details of lands and buildings owned by us are set out below:

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	Audited Net book value as at 31 December 2017 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.	4,343,120.67 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/Level 8 is vacant and Level 9 is tenanted.	1,228 sq metre	N/A	2,469,574.80
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 is tenanted.	1,986 sq metre	N/A	2,589,846.64
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.	4,007,000.00 Refer to note (2)

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**	**Audited Net book value as at 31 December 2017 RM**
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. Lease of part of the land registered in favour of GB3 on 22 June 2001 for a period of 21 years form 21 June 2001 until 21 June 2022. Charge created in favour of Maybank on 1 November 2013. The land had been fully discharged in 2017.	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. Lease of part of the land registered in favour of GB3 on 22 June 2001 for a period of 21 years form 21 June 2001 until 21 June 2022. Charge created in favour of Maybank on 1 November 2013. The land had been fully discharged in 2017.	Refer to notes (2) and (5)
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. Charge to guarantee principal payment created in favour Maybank IB on 11 September 2007. The land had been fully discharged in 2017.	Refer to notes (2) and (5)
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)

List of Properties

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	Audited Net book value as at 31 December 2017 RM
	PROPERTIES OWNED BY OUR GROUP				
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)
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)

List of Properties

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	Audited Net book value as at 31 December 2017 RM
	PROPERTIES OWNED BY OUR GROUP				
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)
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/ 0.553 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

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	Audited Net book value as at 31 December 2017 RM
PROPERTIES OWNED BY OUR GROUP					
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.	975 sq metre/ N/A	N/A	918,613.69
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**	**Audited Net book value as at 31 December 2017 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					
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	Audited Net book value as at 31 December 2017 RM
28.	**TBE** HSD 14674 PTD 2263, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia Leasehold for a period of 60 years, expiring on 17 September 2077	Industrial land for permanent jetty and any structure related thereto. The land is currently under construction to be used for the jetty of the Tanjung Bin Energy Power Plant.	N/A/ 0.9454 Ha	The land cannot be transferred, charged, leased without the prior approval of the State Authority	
29.	**TBE** HSD 14673 PTD 2264, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia Leasehold for a period of 60 years, expiring on 17 September 2077	Industrial land for permanent jetty and any structure related thereto. The land is currently under construction to be used for the jetty of the Tanjung Bin Energy Power Plant.	N/A/ 0.3753 Ha	The land cannot be transferred, charged, leased without the prior approval of the State Authority	

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 2018 until 31 January 2019 via a new supplemental letter dated 21 February 2017. 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 Ridzuan, 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 audited NBV as at 31 December 2017 of the properties under item no. 6 to item no. 8 is RM1,863,000.00. The respective properties were not audited on an individual basis.

(6) The audited NBV as at 31 December 2017 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 audited NBV as at 31 December 2017 of the properties under item no. 22 to item no. 25 is RM1,563,583.67. 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 audited NBV of the property under item no. 26 as at 31 December 2017 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

The details of material properties leased/tenanted by us are set out below:

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
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)
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)

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**
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 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 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 (3)	Nil Refer to note (3)
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

List of Properties

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
	PROPERTIES LEASED/TENANTED BY OUR GROUP				
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.	37,600 per month Effective from 1 April 2017
12.	**Multiple landowners/WMPL and Macarthur WFPL (as lessees)** 22 parcels of lands relating to the Macarthur Wind Farm 1850 Macarthur-Hawkesdale Road, Macarthur, Victoria 3286, Australia Refer to note (4)	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/ 13,591 acres	A lease for a period of 25 years, expiring on 31 January 2038.	Refer to note (4)
13.	Prasarana Malaysia Berhad	Block 3B, Level 12 of commercial building currently used as office space by Prasarana.	10,689 sq ft	Effective date of lease from 1 June 2017 until 31 May 2018.	70,547.40
		Block 3B, Level 13 of commercial building currently used as office space by Prasarana.	10,689 sq ft	Effective date of lease from 16 September 2017 until 15 April 2019.	68,409.60
14.	Lantera Permai Sdn Bhd	Block 2A, Level 9 of commercial building currently used as office space by Lantera.	6,608 sq ft	Effective date of lease from 1 January 2017 until 31 December 2018	41,630.40

List of Properties

PROPERTIES OWNED 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;* *(ii) Hamish Robert Falkner Officer and Anna Jen Officer; and* *(iii) Hamish Robert Falkner Officer, Janet Officer, Marnie Fraser Officer (being the legal personal representatives of Brian Campbell Officer, deceased),* *(collectively known as **"Officer Landowners"**)*	*(i) Volume 8657 Folio 557, Volume 8657 Folio 556 and Volume 8067 Folio 619;* *(ii) Volume 9388 Folio 101, Volume 5950 Folio 962* *(iii) Volume 9715 Folio 216 and Volume 8141 Folio 676 (collectively known as **"Officer Land"**)*
3.	*(i) Atoz Pty Ltd;* *(ii) Ibenmouth Pty Ltd; and* *(iii) Thomas Chute Robertson,* *(collectively known as **"Robertson Landowners"**)*	*(i) Volume 9252 Folio 946, Volume 8941 Folio 283, Volume 8689 Folio 213, Volume 9604 Folio 841 and Volume 7664 Folio 185;* *(ii) Volume 8076 Folio 341; and* *(iii) Volume 8406 Folio 476, Volume 8124 Folio 653, Volume 5313 Folio 585, Volume 8407 Folio 097, Volume 8187 Folio 385, Volume 5820 Folio 903, Volume 8036 Folio 740, and Volume 8036 Folio 741 (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 plants and equipment used by our operations are set out below:

Description	Audited NBV as at 31 December 2017 RM '000
The building, plant and machinery of the SEV Power Plant	1,338,265
The building, plant and machinery of the GB3 Power Plant	580,959
The building, plant and machinery of the Prai Power Plant	470,395
The building, plant and machinery of the TBP Power Plant	4,843,350
The building, plant and machinery of the Port Dickson Power Plant	65,000
The building, plant and machinery of the TBE Power Plant	5,772,398
Total	**13,070,367**

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 2018

ANALYSIS OF SHAREHOLDINGS

Class of Securities	: Ordinary shares
Issued and Paid-up Share Capital	: RM500,000,000 with total number of issued shares of 5,000,000,000 ordinary shares
Voting Rights	: One vote per ordinary share
Number of Shareholders	: 20,004

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	95	0.48	997	0.00
100 – 1,000	2,723	13.61	1,630,099	0.03
1,001 – 10,000	10,111	50.55	54,936,764	1.10
10,001 – 100,000	6,130	30.64	193,585,083	3.89
100,001 to less than 5% of issued shares	939	4.69	1,044,949,000	20.96
5% and above of issued shares	6	0.03	3,690,529,957	74.02
TOTAL	**20,004**	**100.00**	**4,985,631,900***	**100.00**

** Excluding treasury shares of 14,368,100 shares*

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS

a) Directors' Interest in the Company as per the register of Directors' Shareholdings

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Datuk Haji Hasni Harun (Chairman)	–	–	–	–
Dato' Sri Che Khalib Mohamad Noh	420,000	0.01	–	–
Datuk Ooi Teik Huat	420,000	0.01	–	–
Datuk Idris Abdullah – Shares held through Cimsec Nominees (Tempatan) Sdn Bhd – 307,100 – Own account – 85,000	392,100	0.01	–	–
Datuk Dr. Syed Muhamad Syed Abdul Kadir	150,000	negligible	–	–
Cindy Tan Ler Chin	–	–	–	–
Dato' Wan Kamaruzaman Wan Ahmad	–	–	–	–
Kohei Hirao	–	–	–	–
Datuk Seri Johan Abdullah	–	–	–	–
Datuk Rozimi Remeli	–	–	–	–
Zalman Ismail (Alternate director to Dato' Wan Kamaruzaman Wan Ahmad)	–	–	–	–

b) Chief Executive Officer (Who is not a Director)

	Direct		Indirect	
Name	**No. of Shares**	**%**	**No. of Shares**	**%**
Dato' Ahmad Fuaad Kenali	–	–	–	–

Shareholdings Statistics

As at 23 February 2018

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	19.69	–	–
2	MMC Corporation Berhad ("MMC")	897,695,630	18.01	981,341,460(2)	19.69
3	Employees Provident Fund Board(3)	582,480,133	11.68	–	–
4	Lembaga Tabung Haji(4)	509,850,700	10.23	–	–
5	Kumpulan Wang Persaraan (Diperbadankan)(5)	412,427,734	8.27		
6	Amanah Saham Bumiputera(6)	309,126,500	6.20	–	–
7	Seaport Terminal (Johore) Sdn Bhd ("Seaport")(7)	–	–	1,879,037,090	37.70
8	Indra Cita Sdn Bhd ("ICSB")(8)	–	–	1,879,037,090	37.70
9	Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor(9)	–	–	1,879,037,090	37.70

Notes:

(1) Of which 220,046,040 shares held through its own account, 448,384,230 shares held through Bank Muamalat Malaysia Berhad and 312,911,190 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 582,480,133 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd.

(4) Of which 500,000,000 shares 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., 2,774,300 shares held through Maybank Nominees (Tempatan) Sdn. Bhd. (Exempt An for Maybank Islamic Asset Management Sdn. Bhd.) under omnibus account and 1,108,800 shares held through CIMB Islamic Nominees (Tempatan) Sdn. Bhd.

(5) Of which 391,262,134 shares held through its own account and 21,165,600 shares held through various Citigroup Nominees (Tempatan) Sdn Bhd CDS accounts.

(6) Of which 309,126,500 shares 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 2018

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MMC CORPORATION BERHAD	897,695,630	18.01
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	582,480,133	11.68
3	LEMBAGA TABUNG HAJI	500,000,000	10.03
4	BANK MUAMALAT MALAYSIA BERHAD PLEDGED SECURITIES ACCOUNT FOR ANGLO-ORIENTAL (ANNUITIES) SDN BHD	448,384,230	8.99
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	391,262,134	7.85
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) FOR ANGLO-ORIENTAL (ANNUITIES) SDN. BHD.	312,911,190	6.28
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	309,126,500	6.20
8	ANGLO-ORIENTAL (ANNUITIES) SDN BHD	220,046,040	4.41
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	98,000,000	1.97
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	70,037,900	1.40
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	65,901,800	1.32
12	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	37,565,000	0.75
13	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	34,500,000	0.69
14	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	33,972,200	0.68
15	VALUECAP SDN BHD	26,500,000	0.53
16	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	23,780,400	0.48
17	PERTUBUHAN KESELAMATAN SOSIAL	21,250,000	0.43
18	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	20,867,400	0.42

Shareholdings Statistics

As at 23 February 2018

30 LARGEST SHAREHOLDERS (CONTINUED)

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
19	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	18,600,000	0.37
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	18,500,000	0.37
21	PERMODALAN NASIONAL BERHAD	18,473,600	0.37
22	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	17,433,100	0.35
23	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB BANK BERHAD (EDP 2)	16,595,200	0.33
24	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	15,230,300	0.31
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	12,551,600	0.25
26	SERAIMAS BINA SDN. BHD.	11,675,400	0.23
27	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	11,570,600	0.23
28	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	10,014,398	0.20
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	9,100,500	0.18
30	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM GEMILANG FOR AMANAH SAHAM KESIHATAN	8,000,000	0.16
		4,262,025,255	**85.48**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWELFTH ANNUAL GENERAL MEETING ("**AGM**") OF **MALAKOFF CORPORATION BERHAD** (**"THE COMPANY"**) WILL BE HELD AT THE **MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA** ON **THURSDAY**, **26 APRIL 2018** AT **10.00 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 2017 and the Directors' Report and Auditors' Report thereon be and are hereby received."

   (Please refer to Explanatory Note 1)

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2. "**THAT** a final single-tier dividend of 3.7 sen per share for the financial year ended 31 December 2017 be and is hereby approved." **Resolution 1**

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3. "**THAT** the following Directors who retire in accordance with Article 105 of the Company's Constitution be and are hereby re-elected as the Directors of the Company:-
   (i) Dato' Sri Che Khalib Mohamad Noh **Resolution 2**
   (ii) Madam Tan Ler Chin **Resolution 3**

   (Please refer to Explanatory Note 2)

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4. "**THAT** the following Directors who retire in accordance with Article 111 of the Company's Constitution be and are hereby re-elected as the Directors of the Company:-
   (i) Datuk Haji Hasni Harun **Resolution 4**
   (ii) Datuk Seri Johan Abdullah **Resolution 5**
   (iii) Datuk Rozimi Remeli **Resolution 6**

   (Please refer to Explanatory Note 2)

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5. "**THAT** the payment of the following Directors' remuneration to the Non-Executive Directors ("**NED**") for the financial year ended 31 December 2017 ("**the Incurred Period**") be and is hereby approved:-
   (i) Directors' remuneration of up to RM1,571,146 to all NEDs; **Resolution 7**
   (ii) Subsidiaries Chairman's allowances and meeting allowances totalling RM56,650 by four subsidiaries of the Company to a NED. **Resolution 8**

   (Please refer to Explanatory Note 3)

Notice of Annual General Meeting

6. "**THAT** the payment of the following Directors' fees to the NEDs from 1 January 2018 until the next AGM of the Company in 2019 ("**Relevant Period**") and Directors' remuneration (excluding Directors' fees) to the NEDs from the conclusion of the 12th AGM until the next AGM of the Company ("**2nd Relevant Period**") be and are hereby approved:- **Resolution 9**

	Fees for the Relevant Period		**Meeting allowances/ other remuneration for the 2nd Relevant Period**	
Items	**Non-Executive Chairman (NEC)/ per month (RM)**	**NED/ per month (RM)**	**NEC/ per meeting (RM)**	**NED/ per meeting (RM)**
(i) Board	30,000	7,500	2,500	2,500
(ii) Board Audit Committee	4,000	2,500	2,500	2,500
(iii) Board Nomination & Remuneration Committee	3,000	2,000	2,000	2,000
(iv) Board Risk & Investment Committee	3,000	2,000	2,000	2,000
(v) Board Procurement Committee	–	–	3,000	2,000
(vi) Annual leave passage & annual supplemental fees	–	–	25,000 per annum	25,000 per annum
(vii) Estimated benefits-in-kind (Board only)	–	–	up to 3,500 per month (as claimed)	–

(each of the foregoing payments being exclusive of the others)

(Please refer to Explanatory Note 3)

7. "**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 10**

Notice of Annual General Meeting

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following Ordinary Resolution:-

Proposed Renewal of Authority for the Company To Purchase Its Own Shares **Resolution 11**

"**THAT** subject to provisions of the Companies Act 2016 ("**Act**"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and all prevailing laws, rules, regulations, orders, guidelines and requirements for the time being in force, approval and authority be and are hereby given to the Directors of the Company ("**Directors**"), to the extent permitted by law, to purchase such number of ordinary shares in the Company ("**Shares**") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that:

(i) the maximum aggregate number of Shares purchased or held by the Company pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company at any point in time;
(ii) the maximum amount of funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the amount of the retained profits of the Company at the time of purchase; and
(iii) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:
   (a) the conclusion of the next AGM of the Company at which time the authority will lapse unless the authority is renewed by a resolution passed at that meeting, either conditionally or subject to conditions;
   (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
   (c) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

   whichever occurs first;

THAT the Directors be and are hereby authorised to deal with the Shares so purchased, at their discretion, in the following manner:

(i) cancel the Shares so purchased;
(ii) retain the Shares so purchased as treasury shares; or
(iii) retain part of the Shares so purchased as treasury shares and cancel the remainder of the Shares;

THAT where such Shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:

(i) distribute the Shares as dividends to shareholders, such dividends to be known as "shares dividends";
(ii) resell the Shares or any of the Shares in accordance with the relevant rules of Bursa Securities;
(iii) transfer the Shares or any of the Shares for the purposes of or under an employees' share scheme;
(iv) transfer the Shares or any of the Shares as purchase consideration;
(v) cancel the Shares or any of the Shares; or
(vi) sell, transfer or otherwise use the Shares for such other purposes as the Minister charged with the responsibilities for companies, currently the Minister of Domestic Trade, Co-operatives and Consumerism may by order prescribe;

Notice of Annual General Meeting

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its Shares."

(Please refer to Explanatory Note 4)

9. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Constitution.

NOTICE OF BOOK CLOSURE AND NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT shareholders who are registered in the Record of Depositors at the close of business on 11 May 2018 shall be entitled to the final dividend which will be paid on 1 June 2018.

A depositor shall qualify for dividend entitlement only in respect of:

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 11 May 2018 in respect of ordinary transfers; and

b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD
Yeoh Soo Mei (MAICSA 7032259)
Sharifah Ashtura Jamalullail Syed Osman (LS0009113)
Company Secretaries

Kuala Lumpur
28 March 2018

Notes:

1. The proxy form, to be valid, must be deposited at the office of Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 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 18 April 2018 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 8.00 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. <u>Audited Financial Statements for the financial year ended 31 December 2017</u>

This agenda item is meant for discussion only as under the provisions of Section 340(1) of the Act and the Company's Constitution, the audited financial statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

2. <u>Re-election of Directors retiring in accordance with Article 105 and 111</u>

The proposed ordinary resolutions 2 & 3 under Agenda 3 and 4, 5 & 6 under Agenda 4 of the 12th AGM are to seek the shareholders' approval on the re-election of the Directors standing for re-election in accordance with the Company's Constitution. The Board, after having received their consent for re-election, recommends the re-election of the following directors for the following reasons:-

(i) Dato' Sri Che Khalib Mohamad Noh retires in accordance with Article 105

He possesses invaluable knowledge, expertise and vast experience especially in the power business as well as conglomerate business with a diverse business portfolio. He has brought to the Board insights of how the business should be managed and operated within the confines of the regulatory environment in which the Group operates. Dato' Sri Che Khalib is also a member of the Board Nomination and Remuneration Committee ("**BNRC**").

(ii) Madam Tan Ler Chin retires in accordance with Article 105

She possesses vast experience and in-depth knowledge in the finance and investment aspects of business operations. She is the only woman director on the Board and had brought diversity into the boardroom discussion through her detailed and thorough deliberations at the boardroom as well as giving invaluable guidance to the management. She is a valuable asset to the Board composition and had contributed significantly to the growth of the Company from its beginnings as a public limited company to its current listed stature on the Main Market of Bursa Securities. Madam Tan Ler Chin sits on two committees of the Board namely the Board Procurement Committee ("**BPC**") and the Board Risk and Investment Committee.

(iii) Datuk Haji Hasni Harun retires in accordance with Article 111

He possesses vast experience in areas of finance, accounting and banking as well as in the public sector gained through his career. The experience gained by him from various senior management positions in both the private and public sectors, had enabled him to provide the necessary leadership to the Board with his insightful and in-depth knowledge of diverse areas. Datuk Haji Hasni is also the Chairman of the BNRC.

Based on his self-independence assessment, Datuk Haji Hasni had declared his independence as per the criteria prescribed by the Main Market Listing Requirements ("**MMLR**") of Bursa Securities. The BNRC (save for self) had, based on self-declaration of Datuk Haji Hasni that coincides with his behaviour and in the manner in which he conducts himself on the Board, is satisfied that he has complied with the spirit of independence prescribed by the MMLR of Bursa Securities. His re-election will continue to bring independent and objective judgement to the Board deliberations.

(iv) Datuk Seri Johan Abdullah retires in accordance with Article 111

He has vast experience in corporate finance industry gained through his career and in-depth knowledge in the listing requirements of Bursa Securities. He has provided insightful details to the compliance and governance issues of the Company to the Board and the management. The Board is also able to continue to leverage on his experience on a wide range of areas gained by various senior management positions held by him.

(v) Datuk Rozimi Remeli retires in accordance with Article 111

Datuk Rozimi possess 32 years of experience and knowledge in power industry, locally and internationally and is backed by in-depth knowledge of the power industry. He has been a good addition to the Board as he has provided insightful and in-depth knowledge on the management and operations of the Group's power plants against the current development of the power industry. Datuk Rozimi also sits on two committees of the Board namely the BPC as the Chairman and a member of the Board Audit Committee.

Based on his self-independence assessment, Datuk Rozimi had declared his independence as per the criteria prescribed by the MMLR of Bursa Securities. The BNRC had, based on self-declaration of Datuk Rozimi that coincides with his behaviour and in the manner in which he conducts himself on the Board, is satisfied that he has complied with the spirit of independence prescribed by the MMLR of Bursa Securities. His re-election will continue to bring independent and objective judgement to the Board deliberations.

3. **NEDs' Remuneration**

Pursuant to Section 230(1) of the Act, 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.

Directors' remuneration for the Incurred Period

The proposed resolution 7 under Agenda 5 is to seek the shareholders' approval on the payment of the following Directors' remuneration to the NEDs in respect of the Incurred Period:-

(i) Directors' fees (including the Board committee fees) payable by the Company to the NEDs who served as Directors for the Incurred Period including former Directors; and

(ii) Directors' meeting allowance of RM12,500 and annual leave passage & annual supplemental fees (if claimed) up to RM25,000 payable by the Company to one NED, Datuk Seri Johan Abdullah, who was appointed after the Eleventh AGM ("**11th AGM**").

The proposed resolution 8 under Agenda 5 is for the payment of the following Director's remuneration by the Company's subsidiaries to a NED, Dato' Sri Che Khalib Mohamad Noh, for his former chairmanship in the said subsidiaries which were not included in the resolution on the payment of Directors' remuneration (excluding Directors' fees) passed at the 11th AGM of the Company:-

(i) Subsidiaries Chairman's allowance of RM56,250 for the month of February 2017 payable by three subsidiaries of the Company; and

(ii) Subsidiaries Chairman's meeting allowance of RM400 for a Board meeting of another subsidiary of the Company held in February 2017.

Directors' remuneration for the Relevant Periods

The proposed ordinary resolution 9 under Agenda 6, if passed, will allow the payment of the following Directors' remuneration to the NEDs on a monthly basis and/or as and when incurred within the Relevant Period and 2nd Relevant Period, where applicable, after the NEDs have discharged their responsibilities and rendered their services to the Company:-

- Directors' fees and Board committee fees; and
- Allowances payable by the Company comprising meeting allowances, annual leave passage and/or annual supplemental fees including benefits-in-kind to the Chairman.

The Directors' remuneration set out in resolution 9 is the same as in the previous year. For reference and estimate, the Directors' remuneration including the meeting allowances and other allowances of the NEDs of the Company for the preceding year 2017 has been disclosed in the Corporate Governance Overview Statement on pages 78-101.

Explanatory Notes on Special Business:-

4. **Proposed Renewal of Share Buy-Back Authority**

The proposed resolution 11 under Agenda 8, if passed, will empower the Directors to purchase the Company's own shares of up to 10% of its total number of issued shares subject to Section 127 of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities ("**Prevailing Laws**") at the time of the purchase(s).

The proposed share buy-back by the Company may be funded through internally generated funds and/or external borrowings as long as the purchase price is backed by an equivalent amount of retained profits of the Company, subject to compliance of the Prevailing Laws.

Details of the proposed renewal of authority for the Company to purchase its own shares are set out in the Share Buy-Back Statement to Shareholders dated 28 March 2018 which is circulated together with the 2017 Annual Report of the Company.

5. **Abstention from Voting**

The Directors who are shareholders of the Company shall abstain from voting on the resolution in respect of their own re-election at the 12th AGM, and the resolutions concerning remuneration to the NEDs at the 12th AGM.

Administrative Details

ADMINISTRATIVE DETAILS FOR THE TWELFTH ANNUAL GENERAL MEETING ("**AGM**") OF MALAKOFF CORPORATION BERHAD ("**MALAKOFF" OR THE "COMPANY**") TO BE HELD AT THE MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA ("**HOTEL**") ON **THURSDAY, 26 APRIL 2018** AT **10.00 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 validate their entry tickets at the designated counter outside the Ballroom.

REGISTRATION

- Registration will start at 8.00 a.m. and registration counters will remain open until the conclusion of the 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.

F&B

- Light refreshments will be served before the AGM.
- Lunch will not be provided.

DOOR GIFT

No door gift will be distributed at the AGM.

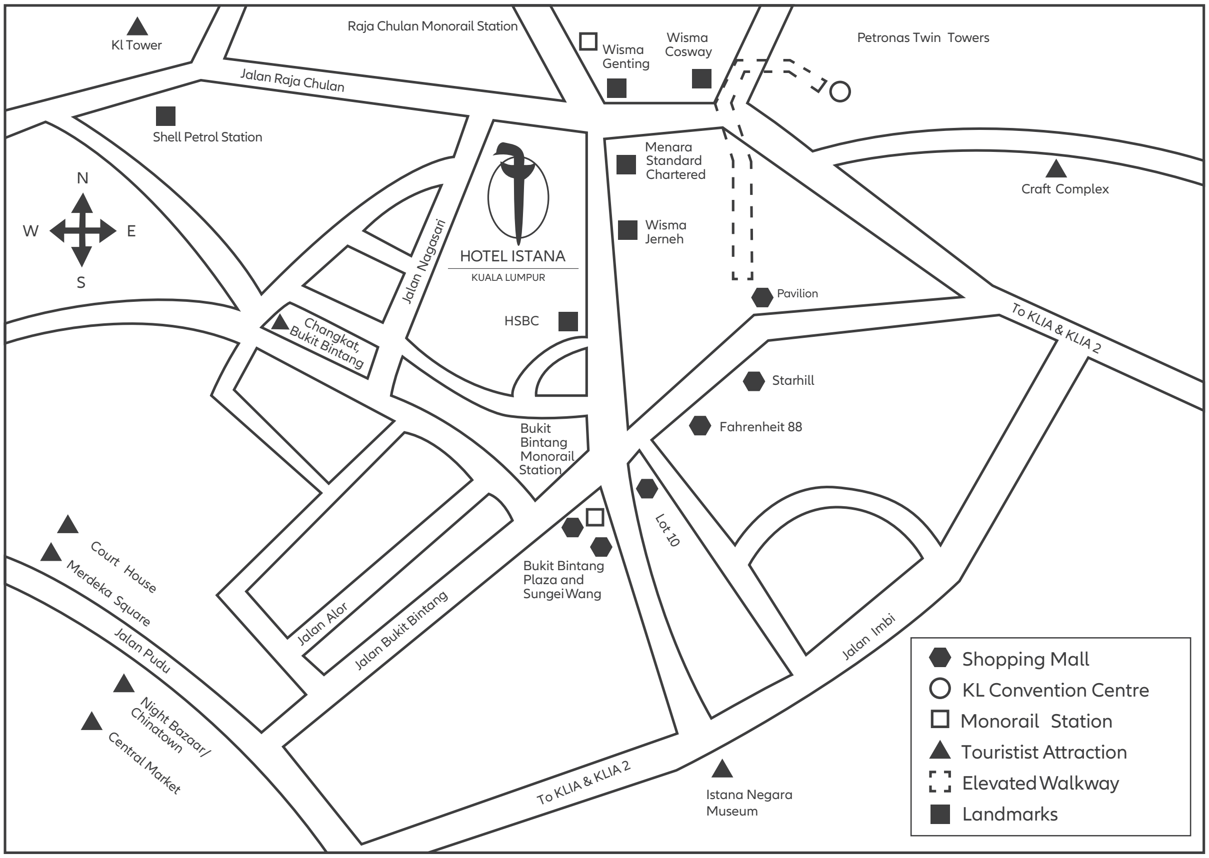
RECORD OF DEPOSITORS FOR ATTENDANCE AT THE AGM

Only depositors whose names appear in the Record of Depositors as at 18 April 2018 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on their behalf.

VOTING PROCEDURE

- All resolutions as set out in the Notice of the 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 share registrars/poll administrator, Symphony Share Registrars 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 enquiries, kindly contact Symphony Share Registrars Sdn Bhd at 03-7849 0777.

Administrative Details



Map of Hotel Istana

No. of Ordinary Share(s) Held	CDS Account No.

Proxy Form

Malakoff Corporation Berhad (731568-V)

I/We ______________________________ NRIC/Passport No: ______________
(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				and/or failing him/her

the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Twelfth Annual General Meeting of the Company to be held at the Mahkota Ballroom, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Thursday, 26 April 2018 at 10.00 a.m., and at any adjournments thereof, on the following resolutions referred to in notice of the Annual General Meeting:

(Please indicate with an "X" in the space provided below how you wish your votes to be cast 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 2017 and the Directors' Report and Auditors' Report thereon.			
	ORDINARY BUSINESS		**FOR**	**AGAINST**
2.	Declaration of final single-tier dividend of 3.7 sen per share	*(Resolution 1)*		
3.	Re-election of Dato' Sri Che Khalib Mohamad Noh who retires in accordance with Article 105 of the Company's Constitution	*(Resolution 2)*		
4.	Re-election of Madam Tan Ler Chin who retires in accordance with Article 105 of the Company's Constitution	*(Resolution 3)*		
5.	Re-election of Datuk Haji Hasni Harun who retires in accordance with Article 111 of the Company's Constitution	*(Resolution 4)*		
6.	Re-election of Datuk Seri Johan Abdullah who retires in accordance with Article 111 of the Company's Constitution	*(Resolution 5)*		
7.	Re-election of Datuk Rozimi Remeli who retires in accordance with Article 111 of the Company's Constitution	*(Resolution 6)*		
8.	Payment of Directors' remuneration of up to RM1,571,146 for the financial year ended 31 December 2017	*(Resolution 7)*		
9.	Payment of Subsidiaries Chairman's allowances and meeting allowances totalling RM56,650 for the financial year ended 31 December 2017	*(Resolution 8)*		
10.	Payment of Directors' fees for the Relevant Period and Directors' remuneration (excluding Directors' fees) for the 2nd Relevant Period	*(Resolution 9)*		
11.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company	*(Resolution 10)*		
	SPECIAL BUSINESS		**FOR**	**AGAINST**
12.	Proposed Renewal of Authority for the Company to Purchase Its Own Shares	*(Resolution 11)*		

Signed this ______________ day of ______________ 2018

____
Signature of member/Common Seal

Notes:

1. The proxy form, to be valid, must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 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 holdings to be represented by each proxy.
6. Unless voting instructions are indicated in the spaces provided in the proxy form, the proxy may vote as he/she thinks fit.
7. Registration of members/proxies attending the meeting will commence at 8.00 a.m. on the day of the meeting and shall remain open until 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.
8. Only depositors whose names appear on the Record of Depositors as at 18 April 2018 shall be entitled to attend the Annual General Meeting or appoint proxies to attend and/or vote on their behalf.

Please fold here

Malakoff Corporation Berhad
Twelfth Annual General Meeting

STAMP

To:

SYMPHONY SHARE REGISTRARS SDN BHD
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

Please fold here

MALAKOFF CORPORATION BERHAD (731568-V)
Level 7, Block 4, Plaza Sentral, Jalan Stesen Sentral 5,
50470 Kuala Lumpur, Malaysia.
Tel: +603-2263 3388 Fax: +603-2263 3333

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