MALAKOFF
A Member of MMC Group

POWERING EXCELLENCE

ANNUAL REPORT 2018

POWERING EXCELLENCE

MALAKOFF CORPORATION BERHAD ("MALAKOFF" OR "THE GROUP") CONTINUES TO FOCUS ON OPERATIONAL EXCELLENCE BY STRENGTHENING OUR FUNDAMENTALS TO ACHIEVE SUSTAINABLE GROWTH. AS THE LARGEST INDEPENDENT POWER PRODUCER IN MALAYSIA, WE LEVERAGE ON OUR COLLECTIVE EXPERTISE AND RESOURCES EFFECTIVELY AND EFFICIENTLY TO STEER US TOWARDS ACHIEVING OUR VISION "TO BE A PREMIER GLOBAL POWER AND WATER COMPANY".

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13th ANNUAL GENERAL MEETING

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

Thursday, 25 April 2019

10.00 a.m.

CORPORATE OVERVIEW

MALAKOFF CORPORATION BERHAD ("MALAKOFF") IS AN INDEPENDENT POWER AND WATER PRODUCER BASED IN ASIA. 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.**

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

- INTEGRITY
- TEAMWORK
- INNOVATION
- EXCELLENCE
- HARMONY

CORE BUSINESS SEGMENTS

- POWER GENERATION
- WATER DESALINATION
- OPERATION & MAINTENANCE SERVICE

CRITICAL STRENGTH

- PROJECT DEVELOPMENT & EXECUTION
- LICENSE TO OPERATE POWER PLANT
- FINANCIAL DISCIPLINE
- STRONG GOVERNANCE STRUCTURE

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

6,346 MW

are held through a number of subsidiaries and associate companies:

TANJUNG BIN ENERGY POWER PLANT

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

PORT DICKSON POWER PLANT

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

PRAI POWER PLANT

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

SEV POWER PLANT

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

TANJUNG BIN POWER PLANT

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

GB3 POWER PLANT

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

KAPAR POWER PLANT

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

ON THE INTERNATIONAL FRONT, WE OWN AN EFFECTIVE CAPACITY OF

690 MW OF POWER AND 420,925 m^3/day

OF DESALINATED WATER. 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 activities through Malakoff Utilities Sdn Bhd, a wholly-owned subsidiary, that currently supplies centralised chilled water and distributes electricity to the landmark Kuala Lumpur Sentral development; and
- Project management services for in-house and external projects through Malakoff Engineering 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

1

MARIM Risk Management Team of The Year Award 2018

Malakoff won the Risk Management Team of the Year Award in conjunction with the Malaysian Association of Risk & Insurance Management ("MARIM") Conference 2018. The award recognises the Risk Management Team that has gone the extra mile with measurable results in effectively implementing risk management practices.

2

Enterprise Risk Management Excellence Award 2018

Malakoff won the Excellence Award, in the Enterprise Risk Management & Business Continuity Management category at the Annual Governance, Risk & Compliance ("GRC") Alumni Forum held in 2018. The award recognises Malakoff's efforts in implementing effective Enterprise Risk Management and Business Continuity Management.

3

NCOSH Excellence Award 2018 – "Electricity Facility"

Malakoff's Lumut Power Plant ("LPP") won the National Council for Occupational Safety and Health ("NCOSH") Excellence Award 2018 for the "Electricity Facility" category. The award recognises LPP's excellent track record in occupational health and safety management system and practices at the workplace.

4

SHASSIC 5 Star Rating

The construction of Tanjung Bin Energy Sdn Bhd's ("TBE") new coal unloading jetty and associated bulk material was awarded a 5 Star Rating for Safety and Health Assessment System in Construction ("SHASSIC") in May 2018. Based on CIS (Construction Industry Standard) 10:2008 carried out by CIDB, SHASSIC 5 Star signifies a high level of compliance with safety and health regulations at a work site.

5

NIOSH Plaque of Appreciation

Malakoff received an appreciation plaque in conjunction with the National Institute of Occupational Health and Safety ("NIOSH") Silver Jubilee celebration. The award was presented in recognition of Malakoff's continuous support to NIOSH and for promoting a safe and healthy environment at the workplace.

6

DOE Strategic Partner Plaque of Appreciation

Special Recognition from the Department of Environment ("DOE") to Malakoff as a "Strategic Partner" for its commitment in environmental preservation and conservation as a responsible corporate citizen, in conjunction with the National Environment Day (Hari Alam Sekitar Kebangsaan) 2018.

7

National Day Celebration 2018 Special Award

Malakoff received a Special Award from Pontian's District Office in recognition for its Corporate Social Responsibility ("CSR") efforts in conjunction with the National Day Celebration. Malakoff was described as a strong supporter of CSR programmes especially for the local community in Mukim Serkat, Pontian.

Delivering Reliable Operations

We remain committed to continuously review and improve our operational efficiency and effectiveness to deliver safe and reliable operations for all our operating assets.

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

DATUK ROZIMI REMELI
Independent Non-Executive Director

SHARIFAH SOFIA SYED MOKHTAR SHAH
Non-Independent Non-Executive Director

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

Members

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

Members

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

Members

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

Cindy Tan Ler Chin
Non-Independent Non-Executive Director

Datuk Rozimi Remeli
Independent Non-Executive Director

BOARD PROCUREMENT COMMITTEE

Chairman

Datuk Rozimi Remeli
Independent Non-Executive Director

Members

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

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

COMPANY ADDRESS

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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 NEWS

Beri kesedaran hargai penyu

Malakoff's revenue rose 17% in FY17 to RM7.1b

Malakoff, TMn bangun projek RE RM1.3 bilion

Malakoff signs MoU for RM1.3b renewable energy projects

"Whereas for solar photovoltaic, we are still doing our feasibility study and soil analysis, and the location is yet to be confirmed. The expected location is in Gambang.

TJSB peroleh kontrak loji solar

KUALA LUMPUR – Teknik Janakuasa Sdn. Bhd. (TJSB), anak syarikat milik penuh Malakoff Corporation Bhd. (Malakoff), memperoleh kontrak pengendalian dan penyelenggaraan (O&M) untuk pengendalian, penyelenggaraan dan pembaikan loji tenaga fotovoltan solar berskala besar (LSS) 29MWac di Kota Tinggi, Johor.

Ketua Pegawai Eksekutif Malakoff, Datuk Ahmad Fuaad Kenali berkata, perjanjian O&M (OMA) itu ditandatangani oleh konsortium merangkumi TJSB, Zet技 Engineering Sdn. Bhd. dan ZEC Solar Sdn. Bhd. yang memperoleh projek itu melalui tender persaingan pusingan pertama LSS dikeluarkan oleh ...

AHMAD FUAAD

Malakoff booster to MPSJ's tree planting efforts

Malakoff 4Q profit rises 188% to RM85m

Malakoff catat pendapatan RM7.13 bilion

KUALA LUMPUR 21 Feb. – Malakoff Corporation Bhd. merekodkan pendapatan sebanyak RM7.13 bilion bagi tahun kewangan berakhir 31 Disember, peningkatan sebanyak 16.9 peratus berbanding RM6.10 bilion yang direkodkan tahun sebelumnya.

Ketua Pegawai Eksekutif Malakoff, Datuk Ahmad Fuaad Kenali berkata, peningkatan pendapatan adalah terutamanya disebabkan oleh pembayaran tenaga ...

MALAKOFF

... sama tahun 2016.

Bagaimanapun, syarikat mencatatkan keuntungan sebelum cukai (PBT) yang lebih rendah bagi tahun kewangan berakhir 31 Disember 2017 iaitu sebanyak RM588.5 juta, merosot 7.7 peratus daripada RM637.5 juta yang dicatatkan tempoh sama tahun sebelumnya.

Tambahnya, walau bagaimanapun pengurangan dalam PBT sebahagiannya dikurangkan oleh margin bahan bakar yang lebih tinggi yang dicatatkan pada TBP dan TBE, prestasi positif daripada syarikat bersekutu luar negara dan pembayaran pampasan yang diterima daripada penyelesaian pertikaian dengan IHI Corporation Japan terhadap kegagalan dandang TBP.

"Malakoff akan meneruskan ...


Pendapatan Malakoff naik 16.9 peratus
MALAKOFF TO DEVELOP PROJECTS WORTH RM1.3B
Firm signs MoU with Touch Meccanica on solar farm, mini hydro projects in Pahang
MALAKOFF GETS APPROVAL TO ACQUIRE ALAM FLORA
MALAKOFF GETS NOD TO BUY ALAM FLORA
Move to hasten firm's expansion into environmental-related business
Alam Flora to boost Malakoff's offerings for FY19
Malakoff wins large-scale solar power plant project
KUALA LUMPUR: Malakoff Bhd has won a contract to operate a large-scale solar photovoltaic power plant with an electricity generation capacity of 29MW in Kota Tinggi, Johor.
Under the deal, Malakoff's wholly owned unit Teknik Janakuasa Sdn Bhd and (TJSB) consortium partner Zelleco Engineering Sdn Bhd have signed a 21-year operation and maintenance (O&M) contract with ZEC Solar Sdn Bhd.
ZEC Solar had secured the large-scale solar project in competitive tender by the Energy Commission.
"This agreement marks Malakoff's first foray into the O&M of renewable energy assets.
"It also means that our O&M business has now expanded to include both thermal, or conventional, and renewable-energy power generation," chief executive officer Datuk Ahmad Fuaad Kenali said in a statement.
In the renewable energy business, Malakoff currently owns a 50% stake in Macarthur Wind Farm in Victoria, Australia, with an effective generation capacity of 210MW.
Earlier this year, Malakoff had entered into a memorandum of understanding with Touch Meccanica Sdn Bhd to collaborate in the development of several renewable energy projects, particularly in large-scale solar photovoltaic and small hydro power plants in Pahang.
Malakoff gets nod for RM944m Alam Flora buy
982 students to benefit from Malakoff's 'Jom Sarap' initiative in Pontian
MALAKOFF
Catat untung lebih tinggi pada suku ketiga 2018
Malakoff inks coal ash deal with G-Cast
MALAKOFF Corp Bhd's subsidiary, Tanjung Bin Power Sdn Bhd, has signed a coal ash offtake agreement with G-Cast Concrete Sdn Bhd for the collection of coal ash from its Tanjung Bin Power Plant (TBPP) in Pontian, Johor.
Under the agreement, G-Cast will collect coal ash from TBPP for a period of 10 years, with an option to extend for another three years.
Malakoff said the deal will come into effect after G-Cast obtains all the necessary approvals from the authorities within six months from the signing of the agreement.
Malakoff CEO Datuk Ahmad Fuaad Kenali said the third-party offtake agreement is part of Malakoff's sustainability initiatives to recycle the ash generated from the 2,100MW coal-fired power plant into construction material such as sand replacement, as practiced in Europe and Japan.
"In addition, this is also part of Malakoff's long-term plan to avoid the need for continuous expansion of the ash ponds and to save costs related to expansion and maintenance of the ash ponds," he said in a statement yesterday.
G-Cast is a wholly owned subsidiary of Starken AAC Sdn Bhd, which in turn is a wholly owned subsidiary of Chin Hin Group Bhd.
G-Cast specialises in the manufacturing of a wide range of pre-cast concrete products and has five factories located in Perak, Selangor and Johor.
Malakoff is an independent water and power producer with core focus on power generation, water desalination and operation and maintenance services. It is Malaysia's largest independent power producer with a net generating capacity of 6,346MW from its seven power plants.
Malakoff catat untung bersih lebih tinggi
Malakoff lancar kempen bersih Teluk Senangin

CORPORATE STRUCTURE

As at 25 February 2019

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
    - **35%** Muscat City Desalination Operation and Maintenance Company LLC
  - **100%** TJSB Global Sdn Bhd
    - **49%** Hyflux-TJSB Algeria SPA
  - **95%** PT. Teknik Janakuasa
  - **51%** TJZ Suria Sdn Bhd

PROJECT MANAGEMENT

- **100%** Malakoff Engineering Sdn Bhd
  - **100%** MESB Project Management Sdn Bhd [I]

ELECTRICITY DISTRIBUTION

- **100%** Malakoff Utilities Sdn Bhd

OTHERS

- **100%** Tuah Utama Sdn Bhd
  - **60%** Green Biogas Sdn Bhd
- **54%** Desa Kilat Sdn Bhd
- **100%** Malakoff R&D Sdn Bhd
- **100%** Tunas Pancar Sdn Bhd [I]

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.

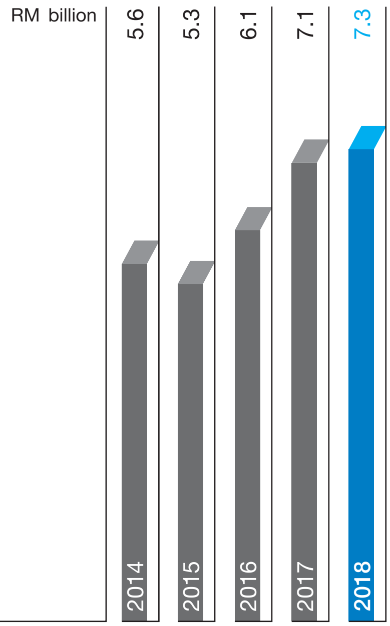
VIII. MCDC is a company listed on the Muscat Securities Market since 2 January 2018.

FINANCIAL STATISTICS

	GROUP		COMPANY	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
KEY OPERATING RESULTS				
Revenue	7,348,230	7,130,440	635,539	415,728
Earnings before interest, taxes, depreciation and amortisation	2,430,386	2,722,062	97,511	(286,060)
Profit/(Loss) before tax	559,173	574,506	111,730	(288,799)
Net profit/(loss) attributable to owners of the Company	274,433	295,931	105,852	(336,838)
KEY BALANCE SHEET ITEMS				
Property, plant and equipment	13,443,183	13,976,303	33,171	35,589
Cash and cash equivalents	1,515,147	2,355,529	360,432	388,809
Other investments (deposit placements with more than three months maturity)	3,582,478	2,641,829	30,000	-
Total assets	28,982,069	29,879,856	10,293,596	10,930,503
Total borrowings	15,200,432	15,830,981	-	-
Total liabilities	22,317,615	23,001,336	1,670,536	1,964,400
Share capital	5,693,055	5,693,055	5,693,055	5,693,055
(Accumulated losses)/Retained profits	(82,425)	(19,007)	3,027,611	3,274,689
Shareholders' equity	5,644,768	5,852,950	8,623,060	8,966,103
SHARES INFORMATION				
Basic earnings per share (sen)[1]	5.64	5.92		
Diluted earnings per share (sen)[1]	5.64	5.92		
Dividend (sen)	5.60[2]	6.20[3]		
Net assets per share (sen)	1.15	1.17		
FINANCIAL RATIOS				
Return on assets (%)	0.95	0.99		
Return on equity (%)	4.86	5.06		
EBITDA margin (%)	33.07	38.18		

1. Based on weighted average number of ordinary shares of 4,865,069,292 (2017: 4,999,937,168).
2. Based on interim dividend paid of 2.1 sen and proposed final dividend of 3.5 sen for dividend payment in respect of financial year ended 31 December 2018.
3. Based on interim dividend paid of 2.5 sen and final dividend of 3.7 sen for dividend payment in respect of financial year ended 31 December 2017.

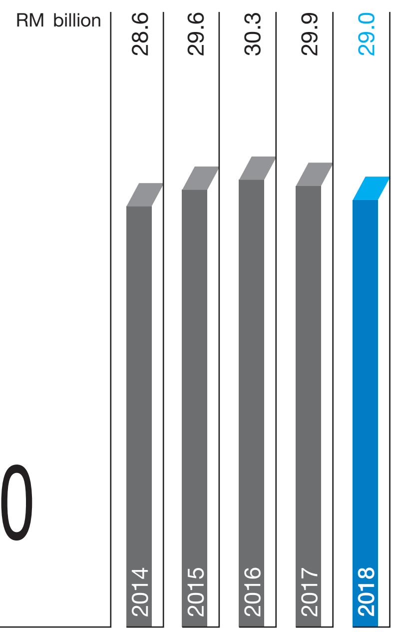
REVENUE
RM7.3
BILLION



EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION
RM2.4
BILLION

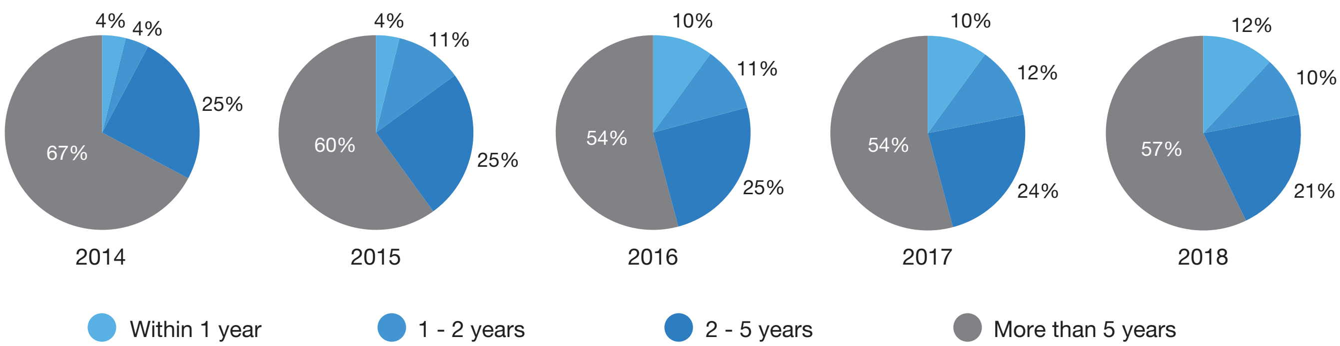
PROFIT AFTER TAX AND MINORITY INTERESTS
RM274.4
MILLION

TOTAL ASSETS
RM29.0
BILLION

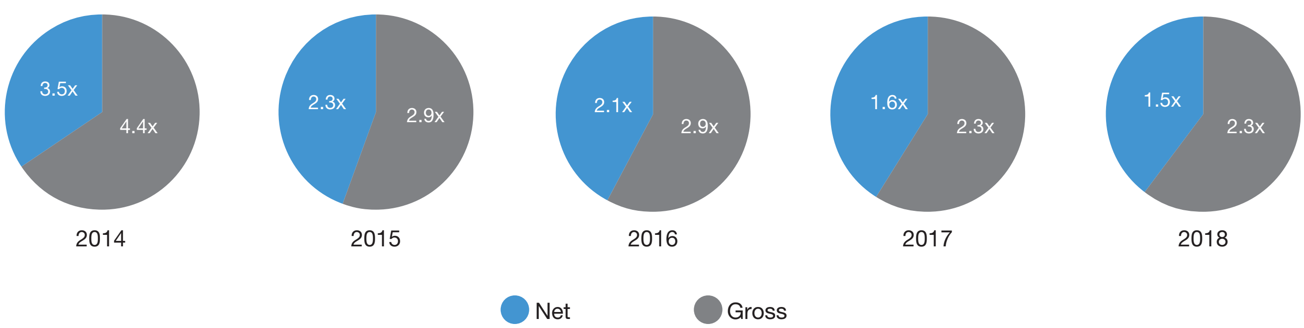


FINANCIAL STATISTICS

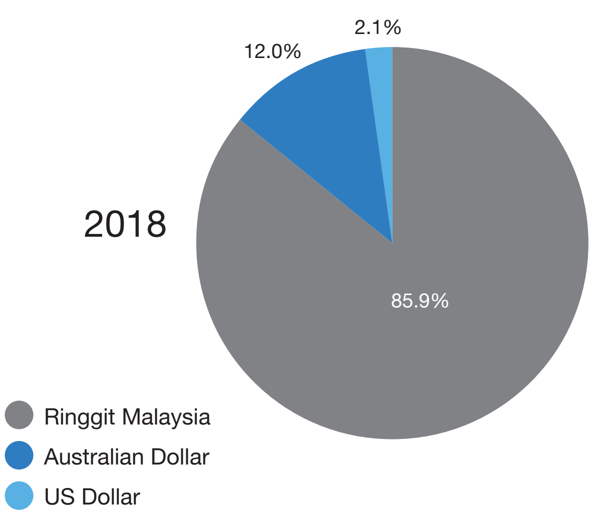
DEBT MATURITY



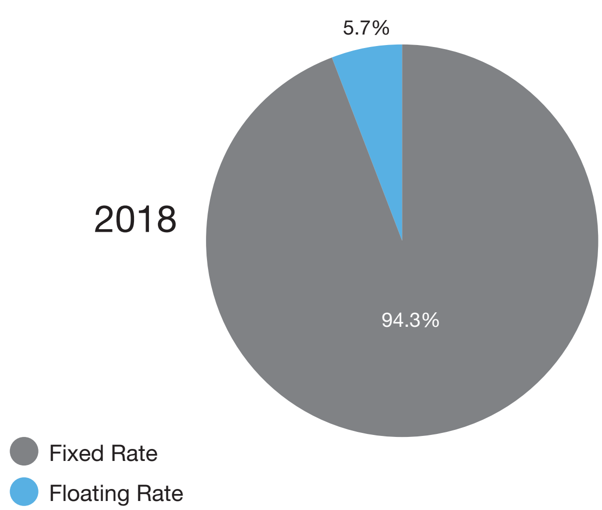
GEARING RATIO



DEBT PROFILE BY FOREIGN CURRENCY



DEBT PROFILE BY INTEREST RATE TERMS



INVESTOR RELATIONS

In 2018, Malakoff continued its active engagement with the investment community as the Company increased its efforts to help the capital market better understand the value creation metrics and potential of the Company. The main goal of Investor Relations ("IR") is to be a catalyst towards achieving a fair market valuation of the Company. The IR unit facilitates a two-way communication between the Company and the investment community through meetings, conference calls, site visits as well as Management participation in investment conferences, among others, to create a greater understanding of Malakoff's business.

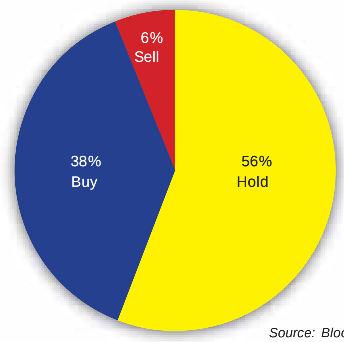
The Group's financial, strategic and operational performance as well as industry trends and prospects are consistently communicated in order to manage investor expectations in relation to the Company's current and future performance. A strategic and well-organised IR programme is essential in creating greater awareness of the Company's investment case and commercial activities so that the shareholders and potential investors can take an informed view towards Malakoff.

Besides being an interface with capital markets, shareholders and investors, the IR unit also plays a central role in ensuring that the Board and the Management are constantly updated and given a thorough understanding of the investor sentiment and sector trends in the wider investment landscape.

In compliance with the Company's Corporate Disclosure Policy, the Head of Investor Relations and/or a member of the Senior Management usually represent Malakoff in its communication with the investment community.

Various IR activities were carried out in 2018 as part of the Company's engagements with existing and potential investors. Details of the IR activities are summarised in the tables provided below:

Investor Relations Activities in 2018	Number of Events
Briefings to Analysts and Fund Managers (direct meeting/conference calls)	5
Operational Site Visits	2
One-on-one/Group Meetings	48
Special Investor Engagement Activities (e.g. Alam Flora Acquisition)	12
Engagement with IR Stakeholders (e.g. Bursa Malaysia, Malaysia Investor Relations Association, regulators, ESG funds, IR service providers)	6



Source: Bloomberg

BRIEFINGS

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

Date	Event	Analyst Briefing	No. of Participants
22 Feb 18	4Q 2017 Financial Results	Direct Meeting/ Conference Call	30
24 May 18	1Q 2018 Financial Results	Direct Meeting/ Conference Call	30
1 Aug 18	Acquisition of Alam Flora Sdn. Bhd.	Direct Meeting/ Conference Call	40
23 Aug 18	2Q 2018 Financial Results	Direct Meeting/ Conference Call	35
23 Nov 18	3Q 2018 Financial Results	Direct Meeting/ Conference Call	33

OPERATIONAL SITE VISITS

Date	Site Visited	No. of Participants
19 Jul 18	Tanjung Bin and Tanjung Bin Energy Power Plants	7
30 Jul 18	Prai Power Plant	13

ANALYST COVERAGE

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

Malakoff is closely tracked by the investment community and as at December 2018, 16 financial institutions provided coverage on Malakoff, reflecting strong interest from the local and foreign sell-side equity research firms.

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 IR team at ir@malakoff.com.my.

BOARD OF DIRECTORS

YEOH SOO MEI
Company Secretary

DATUK OOI TEIK HUAT
Non-Independent
Non-Executive Director

DATUK ROZIMI REMELI
Independent
Non-Executive Director

DATUK IDRIS ABDULLAH
Independent
Non-Executive Director

DATUK HAJI HASNI HARUN
Independent
Non-Executive Chairman

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

SHARIFAH SOFIA SYED MOKHTAR SHAH
Non-Independent
Non-Executive Director

CINDY TAN LER CHIN
Non-Independent
Non-Executive Director

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

SHARIFAH ASHTURA JAMALULLAIL SYED OSMAN
Company Secretary

BOARD OF DIRECTORS' PROFILE

DATUK HAJI HASNI HARUN

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Datuk Haji Hasni Harun, aged 61, 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 Master's degree in Business Administration from United States International University San Diego, California and a Bachelor of Accounting (Hons.) 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.

Datuk Haji Hasni attended all nine Board meetings of the Company held in the financial year ended 31 December 2018.

He does not hold any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

DATO' SRI CHE KHALIB MOHAMAD NOH

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Sri Che Khalib Mohamad Noh, aged 53, 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.

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 nine Board meetings of the Company held in the financial year ended 31 December 2018.

He holds 420,000 ordinary shares in the Company. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

CINDY TAN LER CHIN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Cindy Tan Ler Chin, aged 58, 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 eight out of nine Board meetings of the Company held in the financial year ended 31 December 2018.

She does not hold any interest in the securities of the Company. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

DATUK OOI TEIK HUAT

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Ooi Teik Huat, aged 58, 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’s degree in Economics from Monash University, Melbourne, Australia in 1984 and is a member of the Malaysian Institute of Accountants and CPA Australia.

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

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

Datuk Ooi attended all nine Board meetings of the Company held in the financial year ended 31 December 2018.

He holds 420,000 ordinary shares in the Company. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

BOARD OF DIRECTORS' PROFILE

DATUK DR. SYED MUHAMAD SYED ABDUL KADIR

INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Dr. Syed Muhamad Syed Abdul Kadir, aged 72, 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 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, ACR ReTakaful Berhad and several private limited companies.

Datuk Dr. Syed Muhamad attended all nine Board meetings of the Company held in the financial year ended 31 December 2018.

He holds 150,000 ordinary shares in the Company. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

DATUK IDRIS ABDULLAH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Idris Abdullah, aged 61, 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 Partner in a legal firm in 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.

Datuk Idris currently sits on the board of NCB Holdings Berhad, DRB-HICOM Berhad, Pos Malaysia Berhad and several private limited companies.

Datuk Idris attended all nine Board meetings of the Company held in the financial year ended 31 December 2018.

He holds 172,100 ordinary shares in the Company. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

DATUK ROZIMI REMELI

INDEPENDENT
NON-EXECUTIVE
DIRECTOR

Datuk Rozimi Remeli, aged 62, a Malaysian, male, was appointed to the Board of the Company as an Independent Non-Executive Director on 16 October 2017. He is the Chairman of the Board Procurement Committee and also a member of the Board Audit Committee and Board Risk and Investment 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 1984, 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 eight out of nine Board meetings of the Company held in the financial year ended 31 December 2018.

He does not hold any interest in the securities of the Company or its subsidiaries. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

SHARIFAH SOFIA SYED MOKHTAR SHAH

NON-INDEPENDENT
NON-EXECUTIVE
DIRECTOR

Sharifah Sofia Syed Mokhtar Shah, aged 25, a Malaysian, female, was appointed to the Board of the Company as a Non-Independent Non-Executive Director on 23 May 2018.

Sharifah Sofia graduated with a Bachelor of Science in Economics from the University of York, United Kingdom and obtained a Master of Science in Development Management from the London School of Economics and Political Science ("LSE"), United Kingdom.

Sharifah Sofia started her career as a summer analyst in Morgan Stanley, Singapore in June 2014, where she gained a sound understanding of the economic climate and political situation of the region. She was an External Consultant to the Bill and Melinda Gates Foundation from October 2015 to May 2016, working closely with the Ethiopian country team, where she and her team produced an integrated index to measure women's empowerment and a set of realistic recommendations unique to the Ethiopian context. She joined Pos Malaysia Berhad ("Pos Malaysia") as Special Officer to the Group Chief Executive Officer ("CEO") from January to October 2017. In Pos Malaysia, shadowing the Group CEO, she completed a rotational placement within the organisation where she learned the operations and achieved a greater understanding of the postal and courier, logistics and aviation industries. She was attached to the E-commerce team and separately, had spearheaded and led a small team of individuals from different departments to foster the spirit of innovation based on root cause analysis, covering the topics of operational excellence, automation, customer centricity, amongst others.

Sharifah Sofia was with the Grameen Bank in Bangladesh, where she acquired a greater understanding of microfinance and the operation of social businesses, and was also a Congressional Intern in Washington DC, USA. She received the Gold Duke of Edinburgh award and subsequently in 2015, was accorded the York Award in recognition of her involvement in the student community at the University of York.

Sharifah Sofia currently sits on the board of MMC, DRB-HICOM Berhad, Gas Malaysia Berhad, Pos Malaysia and several private limited companies.

Sharifah Sofia attended four out of five Board meetings of the Company held in the financial year ended 31 December 2018 since her appointment on the Board of the Company.

Sharifah Sofia is the daughter of Tan Sri Dato' Seri Syed Mokhtar Shah Syed Nor, the ultimate shareholder of the Company's major shareholder, MMC. She does not hold any interest in the securities of the Company. She does not have any family relationship with any Director of the Company nor any conflict of interest with the Company. She has not been convicted of any offence within the past 5 years, other than traffic offences, if any.

MANAGEMENT TEAM

MANAGEMENT COMMITTEE

DATO' AHMAD FUAAD KENALI
Chief Executive Officer

RUSWATI OTHMAN
Chief Strategy & Investment Officer

VINCENT YAP LENG KHIM
Senior Vice President, Corporate Services Division

HABIB HUSIN
Chief Operating Officer

MOHD NAZERSHAM MANSOR
Chief Financial Officer

EX OFFICIO

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

YUSOP ABDUL RASHID
Vice President, Corporate Affairs & Stakeholder Management Division

JAMALIAH WAN CHIK
Head, Human Capital Division

HAIROL AZIZI TAJUDIN
Vice President, Special Projects and Renewable Energy Division

MANAGEMENT TEAM PROFILE

DATO' AHMAD FUAAD KENALI

CHIEF EXECUTIVE OFFICER

Dato' Ahmad Fuaad Kenali, aged 48, male, a Malaysian, joined as the Chief Executive Officer ("CEO") 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 since year 2000.

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 re-joined practice as a Partner/Executive Director in Ernst & Young, Kuala Lumpur and was with the firm until July 2010 when he joined Astro Malaysia Holdings Berhad as the Chief Financial Officer ("CFO") from August 2010 to July 2013.

In August 2013, he joined DRB-HICOM Berhad as the CFO and later on as Chief Operating Officer - Finance & Corporate, a post he held until March 2016. He was subsequently seconded to Proton Holdings Berhad ("PHB") on 1 April 2016.

While in DRB-HICOM Berhad, 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.

Prior to joining Malakoff, Dato' Ahmad Fuaad was the CEO and Executive Director of PHB from 1 April 2016 until 30 September 2017.

Dato' Ahmad Fuaad is currently the Chairman of Muscat City Desalination Company S.A.O.G, an associate company of Malakoff which is listed on Muscat Securities Market. He also sits on the board of Tanjung Bin Energy Issuer Berhad, Tanjung Bin O&M Berhad, Malakoff Power Berhad, Port Dickson Power Berhad and several private companies under Malakoff Group.

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

HABIB HUSIN

CHIEF OPERATING OFFICER

Habib Husin, aged 58, 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 Malaysia in August 2004, Harvard Finance Programme in April 2005 and 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 Malakoff Berhad 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 COO 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 COO of the Company in October 2010 to oversee the Operations and Maintenance Division and the Asset Management Division. He was re-designated to Executive Vice President, Operations of the Company on 3 August 2015 and subsequently re-designated to COO of the Company effective 1 December 2017.

He currently sits on the boards of key subsidiaries/associate companies under Malakoff. 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.

MOHD NAZERSHAM MANSOR

CHIEF FINANCIAL OFFICER

Mohd Nazersham Mansor, aged 45, male, a Malaysian, joined as the Chief Financial Officer ("CFO") of the Company on 1 December 2017.

He obtained a degree in Accounting & Finance from De Montfort University, United Kingdom and a Fellow of the Association of the 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 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 of MMC Group from 2014 to 2016 and was previously the CFO 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.

RUSWATI OTHMAN

CHIEF STRATEGY & INVESTMENT OFFICER

Ruswati Othman, aged 58, 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 an 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.

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.

As at December 2017, she heads 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 for 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

VINCENT YAP LENG KHIM

SENIOR VICE PRESIDENT, CORPORATE SERVICES DIVISION

Vincent Yap Leng Khim, aged 45, male, a Malaysian, joined the company 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. He 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 worked at Zelan Berhad for 8 years in the capacity as Director of Corporate Services for 6 years after serving as Head of Legal for 2 years. While in the legal profession, he was a Partner in Albar & Partners, Advocates & Solicitors, where he focused on joint ventures, mergers and acquisitions, restructurings, corporate banking, debt capital markets, structured finance and asset backed securitization. He had previously served as a Legal Counsel at OCBC Bank (Malaysia) Berhad, handling mainly corporate and investment banking portfolios. He has approximately 10 years of experience in legal profession and more than 8 years of experience in engineering and construction industry.

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

AZHARI SULAIMAN

SENIOR VICE PRESIDENT, OPERATIONS & PROJECT MANAGEMENT SERVICES DIVISION

Azhari Sulaiman, aged 58, male, a Malaysian, holds a Bachelor of Science in Electrical & Electronic Engineering from Loughborough University of Technology, England and a Master in Business Administration from Universiti Malaya. He first joined Lembaga Letrik Negara in September 1983 as a Computer Maintenance Engineer in the Computer Maintenance Department. In 1986, he was then promoted to Senior Engineer, Telecontrol, in which, he was involved mainly in the development of control centres, repair and maintenance of the National Load Despatch Centre SCADA/ EMS computer system and Remote Terminal Units ("RTUs").

Later in January 1994, he was transferred to the Business Management unit of the Transmission Division as the Senior Manager, Commercial. In January 1999, he was designated as the Head of Energy Procurement Unit before joining Tanjung Bin Power Sdn Bhd ("TBP") (a subsidiary of Malakoff Berhad) as COO in August 2004.

In his capacity as COO of TBP, he was responsible to ensure that the construction and commissioning of Malakoff's first coal-fired power plant was on schedule and within budget. On completion of the Tanjung Bin Power Plant project, he was transferred to assume the position of Vice President, Business Development. He was re-designated to Senior Vice President of Group Planning & Strategy Division in 2015 where he was responsible for the business development and project development for the Group to meet the growth targets in line with the mission and vision of the Group. 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.

JAMALIAH WAN CHIK

HEAD, HUMAN CAPITAL DIVISION

Jamaliah Wan Chik, aged 58, female, a Malaysian, is the Head of Human Capital Division of the Company. She 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. In 1988, she joined Sime Darby Berhad as Manager, Human Resource and Administration and thereafter moved to Permodalan Nasional Berhad as Manager, Corporate Human Resource and Administration in 1992. In 1997, she joined UEM Builders Berhad Group as Head, Human Resource and Administration and later moved to Opus Group Berhad in August 2010. She was responsible for the succession planning, manpower planning and employment for the Company and provide guidance to the Human Resource representatives assigned to operational sites.

Prior to joining Malakoff in February 2017, she was with Eversendai Corporation Berhad since September 2014 as Group Head, Human Resource and Administration. She was responsible for the management of the full spectrum of Human Resource and Administration function for the Group in Malaysia, Singapore, India and Middle Eastern countries. During this period, she managed to complete the SOP for Human Resources for the Group and implemented talent management as well as Human Resource Information System for the Middle East, India and Malaysia.

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

YUSOP ABDUL RASHID

VICE PRESIDENT, CORPORATE AFFAIRS & STAKEHOLDER MANAGEMENT DIVISION

Yusop Abdul Rashid, aged 50, 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 Vice President, 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.

MANAGEMENT TEAM PROFILE

HAIROL AZIZI TAJUDIN

VICE PRESIDENT, SPECIAL PROJECTS AND RENEWABLE ENERGY DIVISION

Hairol Azizi Tajudin, aged 49, male, a Malaysian, has been appointed as the Vice President, Special Projects and Renewable Energy Division on 1 July 2018.

He obtained his Bachelor of Engineering in Electrical, Electronic and Systems, with First Class Honours from Universiti Kebangsaan Malaysia. He attended and completed Harvard Senior Management Development Program in Malaysia in July 2018.

Hairol started his career as Control and Instrumentation Engineer in Sarawak Shell Berhad in May 1993. He joined Malakoff in February 1997 as Senior Engineer, Reliability Centered Maintenance ("RCM") at Lumut Power Plant. He has been instrumental in the implementation of RCM program company-wide, to ensure higher plant availability and reliability. He was later promoted in 1999 and 2000 as Assistant Manager and Manager respectively, before he was transferred to Malakoff headquaters ("HQ") in Kuala Lumpur in 2001. Within a span of 6 years in the Operation & Maintenance ("O&M") Division, he has been promoted to Senior Manager and Assistant Vice President.

Due to the need of business growth, he has been appointed in 2007, as the Head of Technical and Commercial, Ventures 1 Division, with the responsibility to secure greenfield or brownfield power plant projects in South East Asia region. He was then transferred to lead a newly created department, Reliability and Performance Group in 2010, to oversee and drive improvement in the reliability and performance of the power plants.

Due to his vast experience in the O&M activities and business development works, he was later transferred to Ventures 2 Division as Head of Technical and Commercial, in 2011, with the responsibility to grow Malakoff's business in the Middle East and North Africa region. He was promoted to Vice President in 2012, after leading the successful acquisition of Al-Hidd Independent Water and Power Plant in Bahrain in the same year. He was then transferred to Green Technology Initiative Department, CEO's office, in 2012 where he led the successful acquisition of 420 MW Macarthur Wind Farm in Australia.

In March 2014, he was requested to strengthen the O&M Division and became the Head of Engineering/Technical Support Group Department, driving improvements at all local power plants. He was transferred and promoted to Plant Manager at Tanjung Bin Power Plant in 2016. In July 2018, he was transferred back to Malakoff HQ and assumed his current role.

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

Mohd Hadi Mohamed Anuar, aged 41, male, a Malaysian, is the Chief Internal Auditor leading the Group Internal Audit Division of the Company. 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 18 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.

Energised Workforce

Having a robust and energised workforce ensures that business goals and aspirations are attainable particularly in a challenging business landscape.

CHAIRMAN'S STATEMENT

DATUK HAJI HASNI HARUN
Chairman

OUR DRIVE IS TO ACHIEVE OUR VISION WITH THE DISCIPLINE TO DELIVER RESULTS AND CREATE MORE VALUE FOR THE COMPANY.

DEAR SHAREHOLDERS,

I am pleased to report that Malakoff Corporation Berhad ("Malakoff" or "the Group") has delivered yet another satisfactory performance this year considering the operational challenges confronting the Group. The continued overall performance of our local and international assets provided the basis of this achievement. We remain committed to continuously review and improve our operational efficiency and effectiveness to deliver safe and reliable operations for all our operating assets whilst adapting to higher stakeholder expectations and changing regulatory conditions.

As at 31 December 2018, Malakoff is still the largest Independent Power Producer ("IPP") in Malaysia in terms of effective generation capacity. Through our domestic IPPs and international assets in the power and water sectors, the Group had a total effective capacity of 7,036 MW and 420,925 m^3/day of desalinated water, respectively.

The World Bank's 2018 Doing Business Report ranked Malaysia 4th out of 190 economies in terms of securing electricity supply, which is proof of Malaysia's progressive policies. As we move towards our country's vision of achieving a developed nation status, the demand for affordable and sustainable energy will continue to grow for the foreseeable future.

In relation to the prospects of our domestic business, we recognise that as a highly open economy, Malaysia faces several risks relating to uncertainties in the global environment, including rising trade tensions, volatility in global financial markets, unpredictable oil prices, as well as geopolitical stresses. That said, Malaysia's near-term growth outlook remains resilient with sound macroeconomic fundamentals, stable financial conditions as well as a broad-based and diversified economic structure.

We support the government's target to reduce the country's carbon emissions by 45% from the 2005 baseline, by 2030 to mitigate the impact on climate change. To help achieve this target, the government had announced its aspiration to increase the share of Renewable Energy ("RE") in Malaysia's energy generation mix from 2% currently to 20% by 2025.

In 2018, we have identified strategic partners in Malaysia to explore and develop large scale solar photovoltaic ("LSS") farms, small hydroelectric power projects, biogas-based power generation projects, rooftop solar installations as well as energy efficiency initiatives. These collaborations and initiatives are expected to pave the way to our future success in developing RE projects in Malaysia.

The most significant milestone reached this year is the proposed acquisition of a 97.37% equity interest in Alam Flora Sdn Bhd ("Alam Flora"), which would enable expansion of our business into the Waste Management & Environmental Services sector. The acquisition, when completed, would offer synergistic opportunities between Malakoff and Alam Flora to develop Waste-to-Energy ("WTE") projects, leveraging on their respective core competencies. Therefore, the acquisition represents significant progress towards building additional income streams, strengthening our capabilities and sustaining our future growth.

In the generation sector, the Power Purchase Agreement ("PPA") of Port Dickson Power Plant ("PDP Plant") expired on 28 February 2019, after a 3-year extension from 1 March 2016. Over the past 24 years, PDP Plant has set solid performance in terms of reliability. It is therefore time for us to bid farewell to the power plant and we may have to find a new home for its machines.

In July 2017, Segari Energy Ventures Sdn Bhd's ("SEV") PPA was extended for another 10 years at a more competitive rate. 2018 was the first year in which the impact of the expiry of the original SEV PPA was felt in full.

ACHIEVING OPERATIONAL EXCELLENCE

In meeting the more challenging business environment, we will continue our efforts to strengthen our resilience whilst intensifying our strategic growth initiatives. Our focus is to sharpen our competitive advantage by improving our operational efficiencies and effectiveness, enhancing our systems, processes and procedures, and developing a high-performance culture.

Our drive is to achieve our vision with the discipline to deliver results and create more value for the Company. This will be carried out by intensifying our efforts on cost management, optimising our cost of capital and maximising cash flow generation from our assets. To achieve operational excellence, initiatives such as the Lean Six Sigma, Green 5S ("Sort", "Set In Order", "Shine", "Standardise" and "Sustain") and cost reduction drive such as the introduction of e-bidding, are integral to improving productivity and achieving sustainable growth.

Malakoff's experience in the industry has enabled us to mutually forge and develop beneficial relationships that include leading global counter-parties in the industry, suppliers and strategic vendors and partners.

GROUP REVENUE INCREASED TO
RM7,348.2
MILLION

CHAIRMAN'S STATEMENT

DELIVERING RESULTS

Despite market and industry challenges, the Group's revenue for the financial year ended 31 December 2018 ("FY2018") increased to RM7,348.2 million from RM7,130.4 million in the financial year ended 31 December 2017 ("FY2017").

For FY2018, the Group recorded Profit After Tax and Minority Interests ("PATMI") of RM274.4 million, a slight decline compared with PATMI for FY2017 of RM295.9 million, primarily due to the lower capacity payment recorded by SEV Power Plant given the more competitive tariff under the extended PPA, and the absence of Tanjung Bin Power Sdn Bhd's compensation payment received from settlement of the dispute over its boiler failure recorded in FY2017 which were partially moderated by the gain on the disposal of investment in Lekir Bulk Terminal Sdn Bhd.

The Group's basic earnings per share ("EPS") was 5.64 sen, a slight drop of 5% compared with 5.92 sen in FY2017. The Group's Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") remained strong at RM2.4 billion. Our cash and bank balances continued to strengthen, increase to RM5.1 billion from RM5.0 billion previously, reflecting the strong cash flow generated from the business.

Malakoff Group's balance sheet continued to strengthen with its net gearing ratio improving from 1.57 to 1.52 times as at 31 December 2018.

Based on the Group's performance for FY2018, the Board is pleased to recommend a single-tier final dividend of 3.5 sen per ordinary share, subject to the shareholders' approval at the forthcoming Annual General Meeting to be held on 25 April 2019. Together with the interim dividend of 2.1 sen per ordinary share paid out in October 2018, the total dividend pay-out for FY2018 would be 5.6 sen per ordinary share, representing a pay-out ratio of 100% of PATMI for the FY2018. This is in line with the Group's dividend policy of distributing not less than 70% of its consolidated PATMI to shareholders.

For further 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 endeavours at all times to comply with, where practicable, the principles of the Malaysian Code of Corporate Governance 2017, Corporate Governance Guide of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and, had been and will continue to be fully compliant with the Main Market Listing Requirements issued by Bursa Malaysia.

LEADERSHIP AND DEVELOPMENT

The Group recognises the importance of its human capital resources to deliver on its strategic objectives. The Group will continue to be pro-active in developing the capacity and capability of its people through various technical and development programmes for its people. These include greater emphasis on highly specialised trainings to strengthen the technical competencies of our engineers and project management team.

To further strengthen its middle management capabilities, in 2018, Malakoff had launched its Management Development Programme ("MDP") with the objective of developing and strengthening its middle management capabilities.

In addition, the Group will also continue to send its future leaders to attend development programmes such as the Harvard Business School Alumni Club of Malaysia ("HBSACM") Asean Senior Management Development Program ("ASMDP") to sharpen their strategic leadership and leading change management. During the year, 5 leaders were sent to attend the program.

We believe the key to sustainable performance and growth is to continuously identify and develop our future leaders who will take Malakoff to greater heights.

RISK, HEALTH AND SAFETY

Malakoff believes that an effective risk, health and safety management system and practices are paramount to achieving sustainable performance. As a testament to our risk management leadership and commitment to provide a safe and healthy workplace, the Group has been recognised in 2018 with the following:

- Risk Management Team of the Year Award 2018 by the Malaysian Association of Risk & Insurance Management ("MARIM");
- Excellence Award in Enterprise Risk Management & Business Continuity Management 2018 in the Team of the Year category at the Annual Governance, Risk & Compliance ("GRC") Alumni Forum 2018;
- National Council for Occupational Safety and Health ("NCOSH") Excellence Award 2018 (Energy Facility) for Lumut Power Plant;
- 5-Star Rating for Safety and Health Assessment System in Construction ("SHASSIC") in the construction of Tanjung Bin Energy Sdn Bhd's ("TBE") new coal unloading jetty and associated bulk material system; and
- Recognition by the National Institute of Occupational Health and Safety ("NIOSH") through an Appreciation Award for promoting a safe and healthy environment at the workplace.

SUSTAINABILITY

Malakoff believes in collaborating with all stakeholders to ensure sustainability of its business and performance. As such, the Group takes pride in being a responsible operator and a good corporate citizen in all communities where it operates.

We continue to balance the need for affordable, safe, sustainable, and reliable supplies of energy that will help to achieve the sustainable growth objectives. We will intensify effort to pursue RE opportunities in line with the nation's target of 20% cumulative RE generation capacity by 2025.

For further details on the Group's sustainability report, please refer to the Sustainability Statement Section of this Annual Report.

POWERING FORWARD

Global electricity demand is projected to increase by 60% between 2017 and 2040, led by the near-doubling of power demand in the Non-Organisation for Economic Co-operation and Development ("OECD") countries. The Group will continue to explore value accretive conventional as well as RE greenfield and brownfield opportunities not only in Malaysia but other high growth regions such as South East Asia and the Middle East.

With the country's power generation sector becoming increasingly competitive and challenging, the proposed acquisition of Alam Flora will open a new door for Malakoff's expansion into the increasingly important and fast-growing Waste Management and Environmental Services Sector and synergistic Waste-to-Energy ("WTE") business. Based on the projected economic and population growth, Malaysia will need to urgently develop a solution beyond the conventional landfill-based waste disposal solution to achieve a more holistic and sustainable waste disposal solutions such as the WTE solution.

Unequivocally, the power generation and water production businesses will continue to be our focus and mainstay for the foreseeable future.

Moving forward, Malakoff will continue to execute its strategic imperatives in 3 core pillars as follows:

1. Focusing on Operational Excellence;
2. Achieving Sustainable Growth; and
3. Strengthening Fundamentals.

The key is to execute all these initiatives effectively and efficiently to steer us towards achieving our vision "to be a premier global power and water company" with aspirations to achieve 10,000 MW generation capacity, 1,000,000 cubic metre of desalinated water production per day and 1,000 MW RE generation capacity within the next 10 years.

The Group will leverage on our collective expertise and resources including those within our parent, the MMC Group, to achieve this vision.

ACKNOWLEDGEMENTS

We wish to convey our sincere appreciation to all our shareholders and customers for their support and confidence in the Group. My heartfelt gratitude goes to our bankers and financiers, partners, business associates, suppliers, various government bodies, in particular, the Ministry of Energy, Science, Technology, Environment and Climate Change ("MESTECC") and Energy Commission, Bursa Malaysia as well as the members of the media for the kind support, assistance and cooperation.

Our performance to date is the result of solid business fundamentals, a disciplined management approach, tenacity and perseverance of Malakoff's management team and all our employees, Warga Malakoff. I would like to take this opportunity to thank all of them for their contribution and the spirit of excellence they continue to exhibit.

During the year, we noted with regret the resignations of Mr Kohei Hirao, Datuk Seri Johan bin Abdullah, Dato' Wan Kamaruzaman bin Wan Ahmad and Encik Zalman bin Ismail (Alternate director to Dato' Wan Kamaruzaman). We extend our utmost appreciation and gratitude to all of them for their wise counsels and contributions.

We are also very pleased to welcome our new Board member, Cik Sharifah Sofia binti Syed Mokhtar Shah, who took up her appointment on 23 May 2018. The Board of Directors looks forward to working closely with her in steering the Group in executing our strategic plans.

My deepest gratitude goes to all my fellow Board members for their wise counsel and insights that have helped steer the Group through a challenging business landscape. As Malakoff embraces a new financial year and a new chapter, I trust that all our stakeholders will continue to give us their unwavering support as we set our sights on expanding our horizons.

DATUK HAJI HASNI HARUN
Chairman

DOMESTIC AND INTERNATIONAL FOOTPRINT

As at 25 February 2019

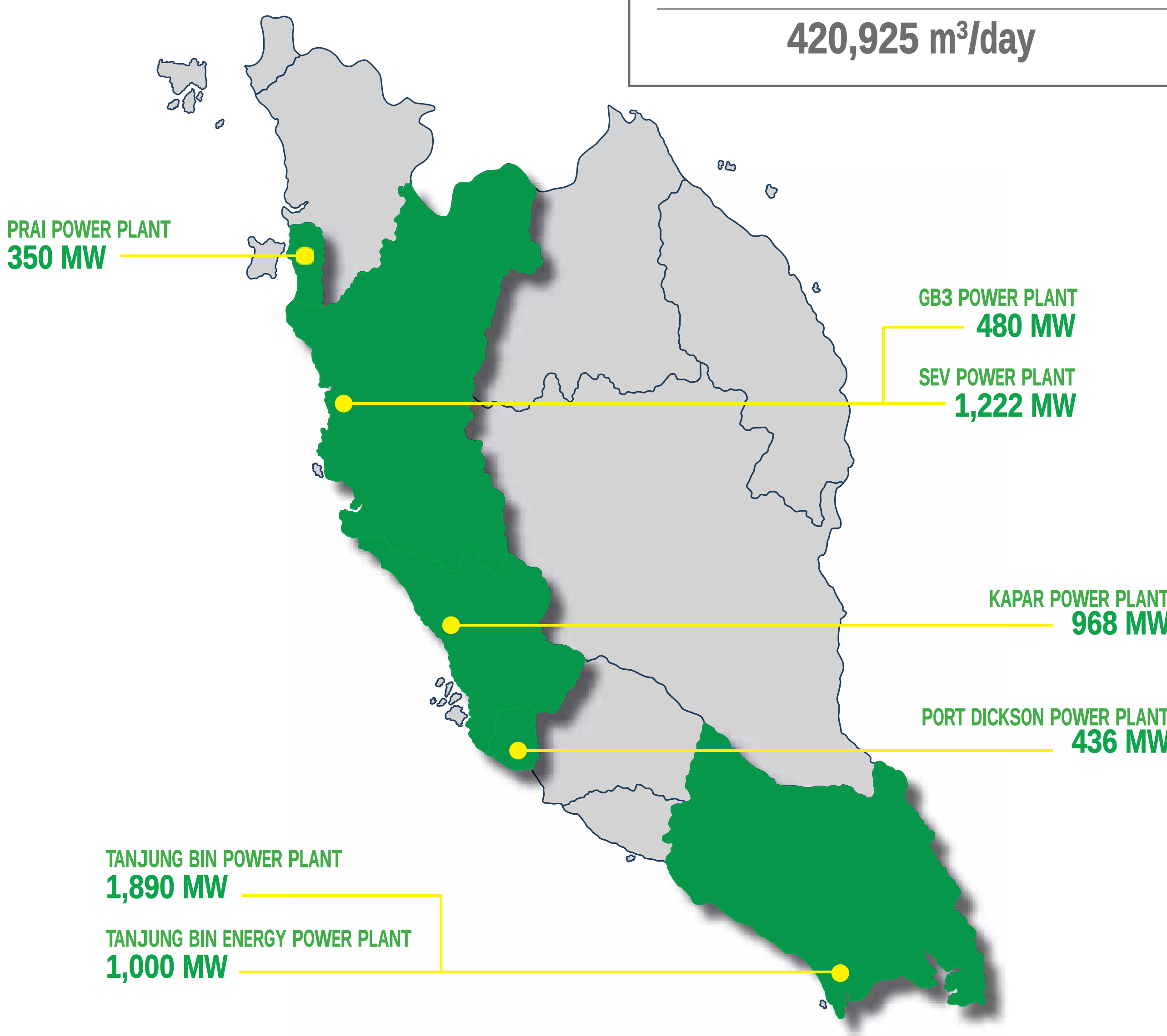
MALAYSIAN INDEPENDENT POWER GENERATION

TOTAL EFFECTIVE POWER GENERATING CAPACITY

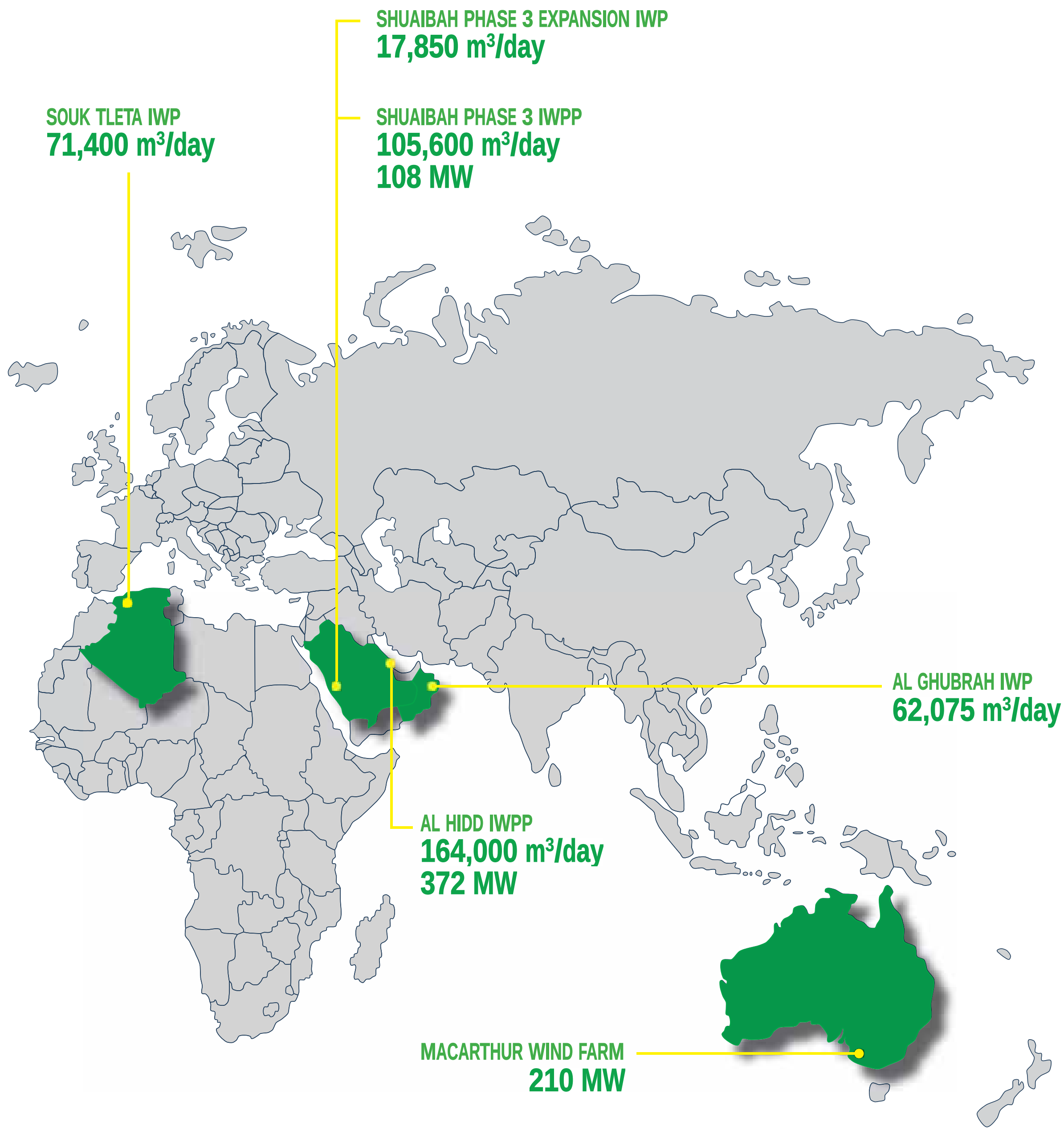
MALAYSIA	INTERNATIONAL
6,346 MW	690 MW

TOTAL EFFECTIVE WATER PRODUCTION CAPACITY

420,925 m^3/day



INTERNATIONAL
WATER PRODUCTION & POWER GENERATION



CEO'S OPERATIONS REVIEW — MANAGEMENT DISCUSSION & ANALYSIS

AT MALAKOFF, WE CONTINUOUSLY STRIVE TO IMPROVE OUR OPERATIONAL EFFICIENCIES AND STRENGTHEN OUR VALUE PROPOSITION AT HOME AND ABROAD.

DATO' AHMAD FUAAD KENALI
Chief Executive Officer

Dear Shareholders,

The year 2018 exemplified Malakoff Corporation Berhad's ("Malakoff" or "the Group") resilience and ability to deliver satisfactory performance amidst challenging domestic and global business environment. Malakoff continues to focus on its strategic pillars of operational excellence, achieving sustainable growth and strengthening fundamentals to improve our performance and competitiveness.

Malakoff is an independent power and water producer with a total effective capacity of 7,036 MW for electricity and 420,925 m^3/day for desalinated water respectively in 2018. In Malaysia, we are the largest independent power producer ("IPP") with a net generating capacity of 6,346 MW from a fleet of seven power plants. To achieve sustainable growth, we are actively seeking and exploring opportunities to further expand our power generation and water production capacity both locally and internationally.

In 2018, the global economy expanded by 3.1%, slowing towards the end of the year due to market volatility as well as escalating trade disputes among certain major economies. Malaysia's economy grew at 4.7% in 2018, well below 5.9% recorded in 2017, due to the deferment and cancellation of several major infrastructure projects, lower export growth as well as more cautious public and private sector's investments. Going forward, Malaysia's electricity demand growth is expected to moderate in 2019 in tandem with the outlook of the Malaysian economy.

Malakoff must evolve to remain relevant and competitive by continuously improving our efficiency, competitiveness and expertise particularly in the Renewable Energy ("RE") sector, and by consolidating and building upon our experience and efficiency as one of the leading IPPs in Malaysia.

KEY DEVELOPMENTS & TRENDS IN THE ENERGY SECTOR

Reforms in the Malaysian Energy Sector

Energy policies are expected to be recalibrated due to the change of Government in May 2018, and the domestic power sector has been undergoing reforms including a potential shift towards a liberalised market.

The review and cancellation of projects awarded through direct negotiation and the Government's policy to carry out competitive "open tender" bidding would allow Malakoff to participate in future tenders for power projects.

The Government's target to increase the country's share of RE generation to 20% by 2025 will provide opportunities for Malakoff to expand and grow its RE portfolio. New policies have also been announced to promote the development of RE capacity such as the improved Net Energy Metering ("NEM") Policy for rooftop solar projects, Green Investment Tax Allowance, and Green Income Tax Exemption. The new RE target will transition the power generation industry to become more environmentally friendly, and potentially competitive in view of the declining cost of RE.

The Malaysia Programme Office for Power Electricity Reform ("MyPower") unit has been reactivated to spearhead the implementation of the reform of the domestic electricity supply sector under Malaysia Electricity Supply Industry ("MESI") 2.0 focusing on an efficient, transparent, market-based, sustainable power industry. The liberalisation of the power sector is intended to create a transparent and efficient market structure with a more cost-reflective tariff.

Power Industry Trends

The advent of Industry 4.0 is progressing concurrently with the rising demand for sustainable energy. Industry 4.0 technologies such as augmented reality, Internet of Things ("IoT"), rapid prototyping technologies, artificial intelligence, big data analytics and blockchain will make its way into the areas of generation, transmission and distribution of electricity.

Smart meters, microgrids, systems for energy management and other digital innovations are all paving a way to transforming the energy sector and could facilitate the transmission of energy into locations that lack proper supply or stability.

These major future trends in the power sector are conveniently encapsulated in the "4 Ds of Modern Power". We look at each of these trends and show how Malakoff is positioning to take advantage of the opportunities they offer, as follows:

CEO'S OPERATIONS REVIEW – MANAGEMENT DISCUSSION & ANALYSIS

Decarbonisation is the rapid movement from fossil fuel to RE in the energy mix. In light of Malaysia's new RE target, Malakoff will realign its focus towards increasing its RE portfolio.

Decentralisation is the distribution of small-scale generation throughout the transmission and distribution ("T&D") network. This trend presents an opportunity for Malakoff to venture into small scale generation, transmission and distribution. Liberalisation of the T&D segment will open up opportunities for merchant and retail power and flexible generation.

Digitalisation is the addition of intelligent control systems and internet-enabled software to optimise the performance of the plants and the grid. The digitalisation of plant information systems enables Malakoff to advise better analytics for enhanced plant performance.

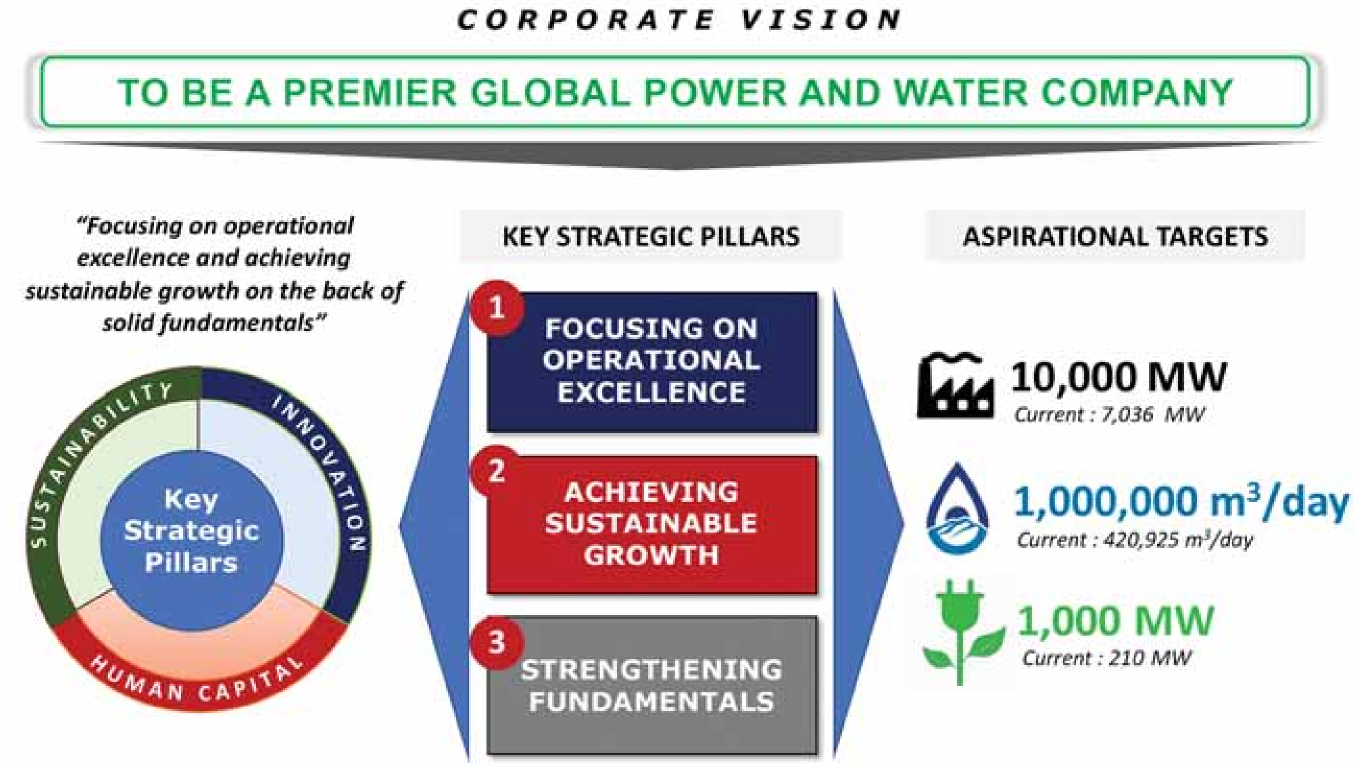
Decreased consumption enabled through the establishment of new technologies allows energy efficiency to be increased, lowering energy consumption. Malakoff is able to provide packaged solutions to corporations and companies who aspire to achieve sustainability targets via our RE and energy-efficiency projects.

Other Key Challenges

The disruption of the classic utility model by challenging market forces such as the move towards minimising carbon footprint via RE and the advent of the IoT, has changed the way we conduct our business. With the rapid expansion of the RE market, sizes of projects have been reduced to smaller scales with very competitive rate of returns on investment ("ROI"). Competition has also intensified due to the aggressive expansion by key international players, including Malaysia's homegrown IPPs.

In 2018, the Group felt the first full year impact of the expiry of the original Power Purchase Agreement ("PPA") for Segari Energy Ventures Sdn Bhd ("SEV") Power Plant. Although the PPA was extended for another 10 years from July 2017, the rate was significantly lower compared with the original PPA.

We continue to improve the reliability of our power plants to eliminate or at least minimise the incidence of unplanned outages. In this connection, Tanjung Bin Energy Power Plant, which had experienced several outages since its commissioning, will be undergoing a major planned outage from 1 April 2019 to 10 June 2019 to improve its resiliency and reliability.



STRATEGIC CONSIDERATION

Amidst the changes and challenges mentioned above, Malakoff remains focused on enhancing our capabilities and expertise to be more competitive, effective and efficient in executing our business strategies in the rapidly evolving and challenging environment.

Malakoff will continue to execute on its strategic pillars of operational excellence, achieving sustainable growth and strengthening fundamentals.

Operational Excellence

The key focus will be on achieving the most optimal performance of our operating assets and ensuring all our contractual requirements are fulfilled. At the same time, we will continue to monitor their performance and carry out turn-around plans if they underperform to ensure that key targets are met. Additionally, more emphasis will be given towards project execution by enhancing project planning and implementation.

Strategic alliance and collaboration with reputable partners will facilitate knowledge transfer, thus improving operational capabilities. The Group will also be carrying out active engagement with local and international stakeholders to address their concerns while leveraging on potential opportunities. It is also imperative upon the Group to actively review its portfolio to optimise and unlock the value of its assets through strategic disposals, as and when necessary.

Achieving Sustainable Growth

Key to the Malakoff long term sustainability is its growth from new projects. The following are the key areas that have been identified for Malakoff to aggressively pursue:

- conventional power plant projects – in Malaysia and high growth areas such as ASEAN countries and the Middle East increasing our installed capacity base (organically and inorganically);
- RE projects – including solar, biogas, small hydro or any other viable RE projects;
- expanding the Operations & Maintenance ("O&M") business; and
- exploring potential new project(s) in the waste and environmental related sector, with Alam Flora Sdn Bhd ("Alam Flora"), leveraging on the respective companies' expertise especially in the area of Waste-to-Energy ("WTE").

The Group will leverage on the Group experience and expertise in developing projects, existing landbank and infrastructure for potential re-powering as well as new power plant projects and through strategic collaboration or joint ventures. In addition, the Group will also continue to explore value accretive acquisition of brown field assets in Malaysia as well as other high growth countries and regions such as South East Asia and the Middle East.

CEO'S OPERATIONS REVIEW – MANAGEMENT DISCUSSION & ANALYSIS

Strengthening Fundamentals

While the Group embarks on growth initiatives, strengthening fundamentals of its business and operations is key to ensuring our long-term sustainability. Some of the key priorities include strengthening and streamlining of internal processes, continuous cost monitoring and maintaining an optimal capital structure.

We also continue to hone the technical and management skills of our employees to remain at the forefront of the industry. Establishing a high-performance culture not only inculcates an innovative mindset but fundamental to sustaining successful long-term business performance.

A strong foundation as well a healthy balance sheet will prepare us to pursue value-accretive green field projects and acquisitions aimed at further improving long-term shareholder returns.

HIGHLIGHTS OF THE YEAR

During the year, the Group explored and pursued numerous opportunities in Malaysia and overseas. The key achievements are as follows:

Proposed Acquisition of Alam Flora

- On 1 August 2018, Malakoff announced the proposed acquisition of Alam Flora for a purchase consideration of RM944.61 million. The proposed acquisition would accord Malakoff the opportunity to immediately penetrate the high growth areas of waste management and environmental services sectors through a leading player in the sector. The proposed acquisition is expected to also provide significant synergistic opportunity with Malakoff to aggressively pursue WTE projects as one of the solutions to the deepening issues relating to waste management and disposals.

- Alam Flora currently holds an exclusive concession to provide solid waste collection and public cleansing management services in Pahang, Federal Territories of Kuala Lumpur and Putrajaya, covering a total area of 36,430 square kilometres with an aggregate waste generation of at least 3,736 tonnes per day. The concession period is for 22 years, from 1 September 2011 to 31 August 2033. Potential growth may also come from the provision of solid waste management services for the East Coast states of Kelantan and Terengganu, with an estimated combined waste generation of about 2,693 tonnes per day.

- Through Alam Flora's wholly-owned subsidiary, DRB-HICOM Environmental Services Sdn Bhd ("DHES"), Malakoff will also be able to partake in the increasingly important and growing non-concession environmental services sector such as for the provision of integrated solid waste services, recycling and integrated facility management services. At present, DHES operates eight landfills, one transfer station, one leachate treatment plant and two incinerator plants within Peninsular Malaysia.

O&M Contract with ZEC Solar

- Malakoff's first foray into the O&M of RE assets, thereby expanding this segment of our business to include both thermal and RE power generation, came with the signing of the first Renewables O&M Contract for a 29-MWac Solar Farm in Kota Tinggi, Johor in April 2018. The O&M contract was signed between ZEC Solar Sdn Bhd and a consortium comprising Teknik Janakuasa Sdn Bhd ("TJSB"), a wholly owned subsidiary of Malakoff, and Zelleco Engineering Sdn Bhd for a period of 21 years, starting from the Commercial Operations of the Solar Farm.

Collaboration with Touch Meccanica for Small Hydro Projects

- In collaboration with Touch Meccanica Sdn Bhd ("TMSB"), Malakoff will jointly develop several small hydropower projects in Pahang. Under the Joint Development Agreement ("JDA"), Malakoff will drive and lead the project development work, particularly on the technical, operational and financial aspects.

Collaboration with Concord Alliance for Biogas Projects

- Malakoff have selected Concord Alliance Sdn Bhd ("Concord") as our partner due to their capability and experience in the development, construction and O&M of biogas-based power generation projects. A SPV form pursuant to the JDA had been shortlisted in the e-bidding exercise for biogas projects launched by the Sustainable Energy Development Authority ("SEDA") in November 2018.

Completion of New Coal Unloading Jetty

- The construction of a new coal unloading jetty and associated bulk material handling system at the Tanjung Bin Facility was completed and fully commissioned on 6 March 2019. The new jetty will be able to cater for the increase in the coal consumption at the Tanjung Bin complex as it will now enable two vessels, ranging from 35,000 Deadweight Tonnage ("DWT") to 178,000 DWT to dock simultaneously.

Disposal of 20% Interest in Lekir Bulk Terminal Sdn Bhd ("LBT")

- As part of Malakoff's effort to rationalise and unlock the value of its investments in order to focus on higher growth areas, we disposed of our equity interest in LBT. On 5 September 2018, Tuah Utama Sdn Bhd, a wholly-owned subsidiary of Malakoff completed the disposal to Tenaga Nasional Berhad ("TNB") for a total cash consideration of RM90 million.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2018 (“FY2018”), the Group’s revenue increased to RM7,348.2 million from RM7,130.4 million reported in the previous financial year ended 31 December 2017 (“FY2017”). The increase in revenue was primarily due to higher energy payments recorded in Tanjung Bin Power Sdn Bhd (“TBP”) and Tanjung Bin Energy Sdn Bhd (“TBE”) coal-fired power plants on the back of higher applicable coal price.

The Group recorded Profit after Tax and Minority Interests (“PATMI”) of RM274.4 million compared with RM295.9 million in FY2017, primarily due to lower capacity payment registered by SEV given the reduction in tariff under the extended PPA and absence of the compensation payment received from settlement of disputes over TBP’s boiler failure recorded in FY2017. However, the decrease in PATMI was partially mitigated by gain from the disposal of investment in LBT.

The Group’s cash and bank balances, and other investments representing deposit placements increased from RM5.0 billion to RM5.1 billion in FY2018. The strong cash generative capability of the Group’s assets is represented by the relatively stable EBITDA of RM2.4 billion recorded in FY2018.

The Group incurred RM351.0 million of capital expenditure (“CAPEX”) in FY2018 compared with RM304.5 million in FY2017. Apart from the C inspection works planned for SEV and GB3 gas power plants as well as the construction of the new coal unloading jetty and associated bulk material handling system at Tanjung Bin facility, CAPEX was also incurred to improve the effectiveness and efficiency of our power plants.

As at 31 December 2018, the Group’s debt-to-equity ratio improved to 2.28 times compared with 2.30 times in FY2017. Overall, the Group’s balance sheets remained strong which is supported with total shareholders’ equity of RM5.6 billion.

REVIEW OF BUSINESS AND OPERATIONS

At Malakoff, we continuously strive to improve our operational efficiencies and strengthen our value proposition at home and abroad. Setting of high aspirations, strict implementation of operational excellence and adherence to Group policies on Health Safety Security and Environment (“HSSE”) and Statutory and Regulatory Compliance yielded a record of zero summons for 2018 from the authorities. However, availability was below target for both gas and coal plants due to the GB3 and TBEPP outages. In the following sections, we are pleased to present our reports on the key business sections of the Group.

DOMESTIC POWER GENERATION

Our domestic power generation asset portfolio comprises 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, including our associate, account for effectively 34.7% of Peninsular Malaysia’s total installed coal-fired generation capacity.

Domestic Power Assets

Plant name in Malaysia	Location	Plant type	PPA expiration	Generating capacity	Effective equity participation	Effective capacity
Tanjung Bin Energy Plant	Johor	Coal	2041	1,000 MW	100.00%	1,000 MW
Tanjung Bin Power Plant	Johor	Coal	2031	2,100 MW	90.00%	1,890 MW
SEV Power Plant	Perak	CCGT	2027	1,303 MW	93.75%	1,221.6 MW
Kapar Power Plant	Selangor	Multi-fuel	2019/29	2,420 MW	40.00%	968 MW
GB3 Power Plant	Perak	CCGT	2022	640 MW	75.00%	480 MW
Port Dickson Power Plant	Negeri Sembilan	OCGT	2019	436 MW	100.00%	436 MW
Prai Power Plant	Pulau Pinang	CCGT	2024	350 MW	100.00%	350 MW
Total effective power generation capacity in Malaysia						**6,346 MW**

CEO'S OPERATIONS REVIEW – MANAGEMENT DISCUSSION & ANALYSIS

Subsidiary-Owned Power Plants

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 equipped with clean coal technologies including electrostatic precipitator and flue gas desulphurisation units.

The plant is in its 13th year of operations and continues to play a vital role in supplying power to the national grid. In terms of electricity generation, the plant supplied approximately 15,566 GWh of electricity to the national grid in 2018, at an average capacity factor of 84.62%. The plant's equivalent availability factor reduced from 87.82% in 2017 to 85.80% in 2018 due to higher outages. The unplanned outage rate (''UOR") recorded for 2018 is well below the threshold under the PPA.

Tanjung Bin Energy Power Plant

With a capacity of 1,000 MW, via the Group's wholly owned subsidiary, TBEPP is located on 65 hectares of land in the southwestern region of Johor, adjacent to the existing 2,100 MW TBPP.

The plant features ultra-supercritical technology, including a supercritical steam turbine and generator, a boiler and plant auxiliaries, which provide the most efficient coal combustion technology currently on the market, while minimising the plant's impact on the environment.

The plant, in its third year of commercial operation, delivered a total of 5,609 GWh of electricity to the national grid, achieving an average capacity factor of approximately 64.03% for FY2018. The plant recorded an average equivalent availability factor of 70.41%, which is an improvement from 63.94% in 2017.

SEV Power Plant

Now in its 23rd year of commercial operation, our longest serving power plant is the largest CCGT power plant owned by an IPP in Malaysia. The SEV Power Plant continues to sell electricity to TNB, following an award received from the Energy Commission in 2013, for a 10-year extension of the PPA term until June 2027.

The SEV Power Plant continues to maintain an optimal performance level in terms of availability, reliability and efficiency. During the year under review, our SEV Power Plant achieved an average capacity factor of approximately 31.99% and delivered approximately 3,651.47 GWh of electricity to the national grid. The plant also registered an availability factor of 93.16%, an increase from the previous year achievement. The plant has been able to maintain its UOR level well below its PPA threshold throughout the year.

GB3 Power Plant

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

The plant, held through GB3 Sdn Bhd, our 75% owned subsidiary, is in its 17th year of commercial operation. It delivered a total of 1,101.14 GWh of electricity to the national grid, achieving an average capacity factor of approximately 19.64%. However, the plant recorded a lower equivalent availability factor of 65.83% due to an increase in planned outages.

The lower generation despatch in 2018 from GB3 and SEV Power Plants (collectively known as Lumut Power Plant), compared with previous years, was due to the commercial operations of newer and more efficient neighbouring power plants, which effectively impacted both plants' positions in the merit order of despatch. Nevertheless, Lumut Power Plant continued to demonstrate its reliability in despatching power as demanded.

Prai Power Plant

This CCGT plant features one gas turbine, one heat recovery steam generator and one steam turbine with a unique single shaft configuration that provides reliable, efficient and low emission power supply to the national grid at a dependable capacity of 350 MW.

In 2018, our Prai Power Plant ("PPP") recorded a net efficiency of 51.56%. The plant, in its 16th year of operations, delivered a total of 1,662 GWh of electricity to the national grid in 2018. It also recorded an average capacity factor of 54.54%, while registering an equivalent availability factor of 85.89%.

Port Dickson Power Plant

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

In 2018, PDP Plant delivered 13.49 GWh of electricity to the national grid. As a peaking open-cycle power plant, the facility recorded an average capacity factor of 0.35%, while registering an equivalent availability factor of 98.67%. PDP Plant's three-year PPA extension expired on 28 February 2019. With the cessation of PDP Plant's operations, its employees have been largely re-skilled and redeployed to other plants or business units within the Group.

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:

International Power and Water Assets

Plant Name	Location	Plant Type	PPA WPA PWPA Expiration	Generating Capacity	Effective Equity Participation	Effective Capacity
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^3day 108.0 MW
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
Souk Tleta IWP	Algeria	Water	2036	200,000 m^3/day	35.7%	71,400 m^3/day
Total effective power generation capacity						**690 MW**
Total effective water production capacity						**420,925 m^3/day**

- 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); and
- Generating Facility 4 (GF4): 2x110 MW Open Cycle Gas Turbine

In 2018, the plant delivered a total generation of 9,966 GWh to the national grid and recorded an equivalent availability factor of 84.18%.

INTERNATIONAL ASSETS

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

We have a 12% effective interest in the Shuaibah Phase 3 Independent Water and Power Plant (“IWPP”), which is located near Jeddah in the Kingdom of Saudi Arabia. The project is our first overseas venture and consists of a 3x300 MW crude oil-fired power plant and 880,000 m^3/day Multi-Staged Flash Distillation Unit for the desalination of seawater. The project was executed on a Build-Own-Operate (“BOO”) basis under a 20-year Power and Water Purchase Agreement (“PWPA”) with the Water and Electricity Company of Saudi Arabia. In its ninth year of operation in 2018, annual outage and turbine tests were performed on its two main units to maintain the plant’s reliability. During the year in review, it recorded an availability factor of 93.6% and 93.0% for power generation and water production respectively.

Shuaibah Phase 3 Expansion Independent Water Plant (Saudi Arabia)

We expanded our market share in the water production business with an 11.9% interest in the Shuaibah Expansion Project Company Ltd. The Shuaibah Phase 3 Expansion Independent Water Plant has a capacity of 150,000 m^3/day and utilises reverse osmosis technology to desalinate sea water. Since its commissioning in 2009, we have recorded positive plant performance, and in FY2018, recorded a high availability factor of 95.1%.

Al Hidd Power Generation and Water Desalination Plant (Bahrain)

Comprising three phases, including a gas-fuelled 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 93.4% and 96.8% for power generation and water production respectively in 2018.

Al Ghubrah Independent Water Plant (Sultanate of Oman)

The Al Ghubrah Independent Water Plant was awarded to a consortium, led by Malakoff International Limited (“MIL”) on a build-own-operate basis, using reverse osmosis technology. The consortium was formed by Malakoff and Sumitomo, each

CEO'S OPERATIONS REVIEW – MANAGEMENT DISCUSSION & ANALYSIS

of them holding a 32.5% interest in Muscat City Desalination Company SAOC ("MCDC"), and the public owning the remaining 35.0%. 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 desalinated water over a period of 20 years. The project achieved its Commercial Operations Date ("COD") on 19 February 2016 and the plant has been performing as per the projected performance, with a recorded average availability of 96.2% in 2018.

Macarthur Wind Farm (Australia)

Our acquisition of a 50.0% interest in the Macarthur Wind Farm marked our first venture into the RE market as well as the Group's first investment in Australia. The Macarthur Wind Farm is 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 the equivalent of approximately 181,000 average-sized homes in Victoria and cut 1.7 million tonnes of greenhouse gases each year. This is in line with the Australian government's Renewable Energy Target ("RET") to secure about 23.5% of Australia's electricity from renewable resources by 2020. This year, a plant equivalent availability factor of 97.7% was recorded.

Souk Tleta Independent Water Plant (Algeria)

Malakoff has an effective stake of 35.7% in the Souk Tleta Independent Water Plant, which is a 200,000 m^3/day plant located in Wilaya Tlemcen in Algeria using reverse osmosis technology to desalinate seawater. COD in April 2011, we have continued to invest resources and technical expertise in the plant to ensure it performs at an optimal level. In FY2018, the desalination plant recorded an average availability factor of 28.4%.

The Group's associates, Almiyah Attilemcania SPA ("AAS"), being the project company and Tlemcen Desalination Investment Company SAS ("TDIC"), being the joint-venture investment holding company for the project, received a Notice of Termination in November 2018 from Sonatrach SPA ("Sonatrach") and L'Algerienne Des Eaux ("ADE"), which are the Offtakers, based on an alleged breach of the WPA. As advised by solicitors, Notices of Dispute were issued by AAS and TDIC on 23 and 27 November 2018 to challenge the purported termination, and at present, AAS and TDIC are waiting for a response on the proposed amicable settlement negotiation. Notwithstanding the dispute, the Group's carrying amount of investment in AAS had been fully provided for in year 2016.

OPERATIONS AND MAINTENANCE ("O&M")

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 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 at 31 December 2018, the Group has accumulated well over 23 years of O&M experience and a proven track record of operating different types of power plants. These include CCGT, OCGT and coal fired power plants as well as multi-stage flash desalination plants, reverse osmosis plants and multi-effect distillation and cogeneration plants.

Domestic O&M Business

We continue to invest in cutting-edge O&M tools and methodologies, such as Reliability-Centred Maintenance and Root Cause Analysis. In keeping with prudent practice, plant improvement and 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.

At our Coal-Fired Power Plants ("CFPPs"), we have adopted the Risk Based Inspection ("RBI") approach during plant outages on Boiler Pressure Parts Assessment. 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.

In 2018, we continued with our efforts to identify gaps and implement measures to improve and strengthen our quality of services. The procedures for critical functions and key activities are well documented and communicated to employees within relevant divisions, departments and subsidiaries.

Quality, Health, Safety and Environmental ("QHSE") and Information Security Management System ("ISMS") internal and external audits have been consistently conducted at all sites to ensure compliance with relevant standards and procedures. Malakoff's Local Generation Division including all local power plant operations, PPP, Lumut Power Plant, TBPP and TBEPP successfully maintained their certification status to MS ISO 9001:2015, MS ISO 14001:2015, OHSAS 18001:2007, MS 1722:2011 and ISO/IEC 27001:2013 international standards.

As part of our continuous effort to equip our staff with skills and competencies, they regularly undergo a structured Competency Based Assessment ("CBA"), On-Job Training ("OJT") and simulator-based training.

International O&M Business

In 2018, TJSB continued to deliver safe and efficient power plant O&M to meet the objectives of our clients in MENA and Southeast Asia.

TJSB's subsidiary, TJSB Middle East Ltd, operates and maintains the 1,200 MW Azzour South Combined Cycle Power Plant in Kuwait under a manpower supply arrangement with Alghanim International General Trading and Contacting Co. W.L.L. which started on 1 May 2018.

TJSB also ventured into the Indonesian market in 2013 through its local subsidiary PT Teknik Janakuasa ("PTTJ") at the Merak Coal Fired Power Plant which operates a 120 MW and 55 tonnes/hour capacity steam generation plant. PTTJ, with an established local presence in Indonesia and a marketing arm operating from Jakarta, continues to explore new market opportunities.

In Bangladesh, TJSB is currently supporting China Northeast Engineering and Services Co Ltd ("NEPCS") operations at Bibiyana II 345 MW Gas Fired Combined Cycle Power Plant located in the district of Habiganj, Bangladesh. The contract was signed in July 2018 for the provision of one specialist to advise NEPCS on the day-to-day plant operations.

Maintenance, Repair, Reengineering and Overhaul ("MRRO")

Malakoff offers MRRO services to significantly reduce the overall maintenance cost of the power plants. MRRO services include the provision of expert personnel to local and international clients, mainly to undertake and deliver on-site field services for both planned and unplanned maintenance works. Our range of services include major and minor overhauls of thermal and gas plants and engineering field services.

Various electrical testing and diagnostic MRRO services were carried out for external power generation and industrial customers. Our list of clients includes TNB, Edra Energy Sdn Bhd, Teknologi Tenaga Perlis Consortium Sdn Bhd and Linde Malaysia Sdn Bhd. We also secured a contract to carry out a major overhaul of a generator for Sabah Electricity Sdn Bhd.

ELECTRICITY DISTRIBUTION & CHILLED WATER SUPPLY

Malakoff Utilities Sdn Bhd ("MUSB"), a wholly owned subsidiary of Malakoff, is one of the leading electricity distribution and district cooling plant infrastructure owners and operators in Malaysia. MUSB holds the exclusive license to distribute electricity within Kuala Lumpur Sentral ("KL Sentral"), a prestigious 72-acre development in the centre of Kuala Lumpur, with the capacity to meet offtake up to 100 MW. MUSB's customer base continues to expand in tandem with the on-going development of KL Sentral as a business and transportation hub. Its customer base has increased from 2,722 in 2017 to 3,443 in 2018.

MUSB started supplying chilled water to KL Sentral in 2001 and employed the latest thermal energy storage ("TES") technology in 2011. The district cooling supply which is delivered to multiple blocks of combined commercial and office space has a capacity of 17,000 RT. MUSB promotes sustainable and improved energy utilisation whilst reducing the environmental impact of its operations. MUSB was successfully recertified to ISO 9001:2015 in 2016.

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

INFORMATION TECHNOLOGY

Malakoff has embraced digital technologies to enhance cost efficiency, productivity and overall business performance.

In 2018, Malakoff adopted and migrated to a cloud platform for our daily IT applications and production systems, disaster recovery process and email communication. The new Microsoft Office collaborative tool is deployed to enhance efficiency, increase system reliability and improve collaborative teamwork.

Third-party audits, security vulnerabilities tests and internal assessments are conscientiously and rigorously conducted as part of our annual certification and management system governance and compliance practices. This is to strengthen our security posture to reduce exposure to internal and external cyber risks and protect our information management environment to the fullest extent possible.

PROCUREMENT

To keep pace with the changing business environment, the Group undertook a comprehensive review of its procurement process with the objective of making it more practical, faster, efficient and cost-effective and at the same time enhancing its integrity, transparency and fairness. Among the key improvements are the introduction of e-Sourcing, to attract more vendor participation, and e-Auction for tenders to maximise savings from commercial proposals.

RISK MANAGEMENT

Malakoff upholds risk management as an integral component of its operations and decision-making process. Our Enterprise Risk Management Policy and Framework ("ERMPF") is based on ISO 31000:2009 Risk Management Principles and Guidelines. Key initiatives and activities undertaken during the year include:

- A total of 146 risk initiatives and activities were implemented which included a series of risk assessments, risk register reviews, Business Continuity Plan ("BCP") reviews and trainings organised across the Group. As at 31 December 2018, a total of 695 risks were registered and monitored in the Enterprise Risk Management System ("ERMS").

CEO'S OPERATIONS REVIEW – MANAGEMENT DISCUSSION & ANALYSIS

- As part of Malakoff's Enterprise Risk Management programme, Technical Risk Assessments Processes ("TRAPs") are carried out every year at Malakoff's power plants and reported to the Management Risk Committee.

- Implementation of Business Continuity Management ("BCM") programme at five of its local power plants namely TBPP, TBEPP, SEV Power Plant, GB3 Power Plant and PPP in 2018. A fully operational BCM based on ISO 22301:2012 Business Continuity Management Systems ensures that the plants are well prepared to swiftly respond to any business interruption.

OUTLOOK & PROSPECTS

Global population is forecasted to grow by 1.07% to 7.71 billion in 2019 and expected to reach 9.2 billion by 2040. The improved living standards particularly in the growing middle class will result in rising energy use.

Rising global energy demand is expected to increase at an average annual rate of 1%, led by non-OECD nations, and will further rise by 25% through 2040. Growth will mainly be seen in China, India and ASEAN countries. The centre of gravity of global energy demand will shift to Asia, mainly to South and Southeast Asia over the long term.

Domestic Prospects

Malaysia's near-term growth outlook remains resilient with sound macroeconomic fundamentals and stable financial conditions on a broad-based and diversified economic structure. The economy is projected to grow at a slightly faster pace of 4.9% in 2019 driven by the private sector. Lower inflation would lead to higher consumption, which in turn, would result in higher manufacturing activities, while domestic and commercial growth would create additional demand for power.

One of the major objectives in the 11th Malaysian Plan is to add 7,626 MW of new power generation capacity in Peninsular Malaysia. Also prioritised are plans to explore new RE sources, other than existing suppliers, increasing the focus on biogas and biomass, the continuation of the Large Scale Solar ("LSS") programme and the exploration of new RE technology such as micro grids and storage.

The Energy Efficiency & Conservation Act is expected to be tabled in Parliament in 2019. It will encompass energy reporting and companies will be incentivised accordingly based on energy efficiency targets that are met. The government has also reviewed and improved the National Energy Efficiency Action Plan ("NEEAP") 2016-2025. A joint study by the government's Economic Planning Unit and the United Nations Development Programme estimated that Malaysia had potential energy savings of up RM46.92 billion from 2016 to 2030, reflecting the significant potential for the energy efficiency industry.

COUNTRY	REAL GDP GROWTH	ELECTRIC POWER CONSUMPTION
	2018	**kWh per capita**
Global	3.1%	3,127
Malaysia	4.7%	4,956
Bahrain	1.7%	19,592
Oman	2.3%	6,553
Saudi Arabia	1.8%	9,444
Australia	2.9%	10,059

Source: World Bank

The share of RE from solar and wind is expected to triple by 2040. In Malaysia, the government has issued a tender for large scale solar projects totalling 500 MWac in February 2019. This is in addition to the total of 114 MW that was rolled out in 2018 for 74 MW hydro, 10 MW biomass and 30 MW biogas.

Malakoff will continue to explore RE projects such as small hydro, large scale solar, rooftop solar, biogas, biomass and WTE projects. In this regard, the Group will participate in the 500 MWac large scale solar tender through the Energy Commission to be commissioned by 2021.

International Prospects

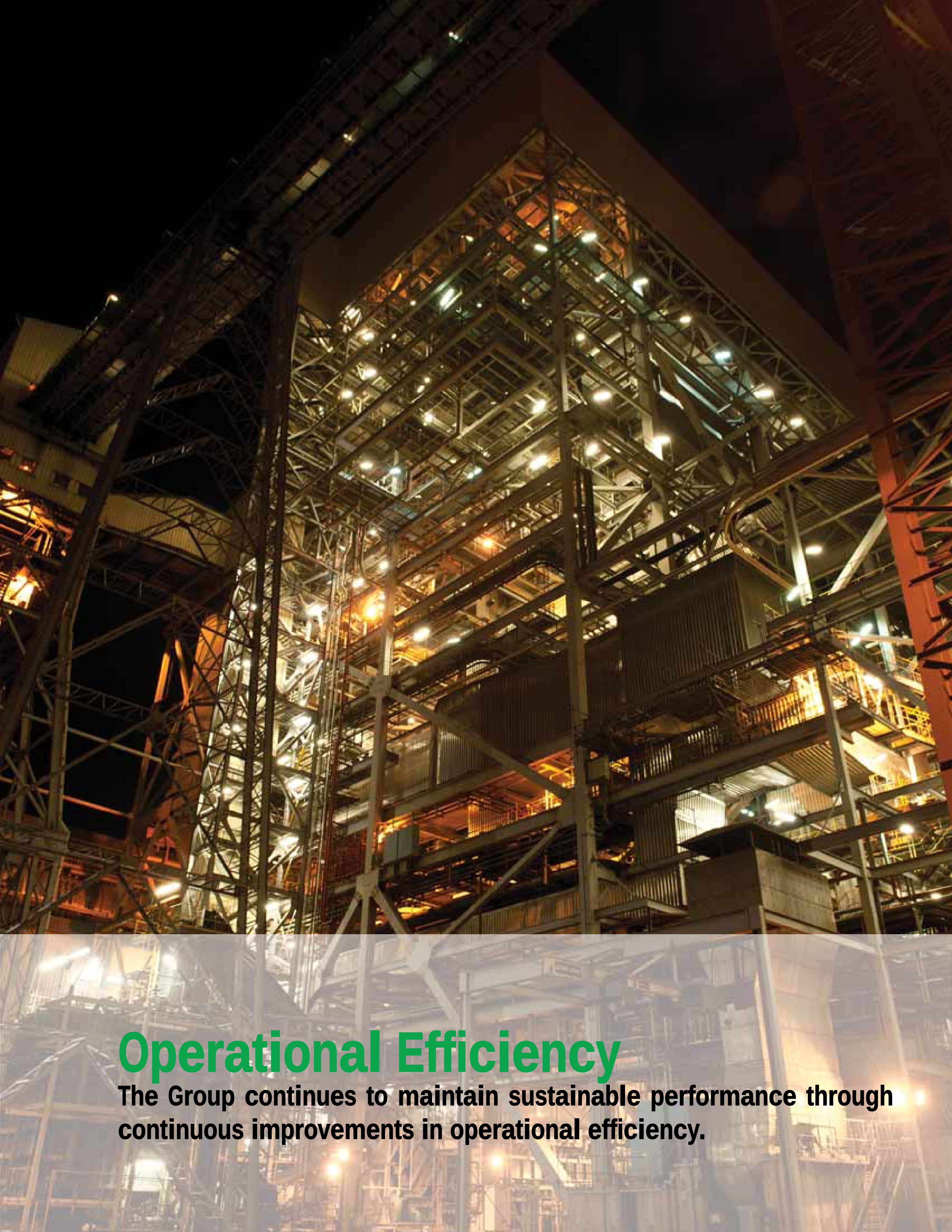
The Middle East region is generally expected to achieve higher economic growth, spurred by stable oil market and the impact of major reforms to reduce energy subsidies to shift investment towards RE. The demand for electricity is relatively higher as shown in the table above for 2018. The per capita demand for electricity in Bahrain, for example, is four times that of Malaysia according to the World Bank.

Malakoff will continue to be on the lookout for viable RE opportunities in the ASEAN region that fit in strategically into our portfolio.

Powering Excellence

As we move forward into a new era of rapidly changing industry, Malakoff must respond and adapt to the changes in order to remain relevant. Malakoff will need to continue to focus and improve on operational excellence to achieve sustainable growth as well as strengthening its fundamentals to make us more resilient. Let us reflect on our performance for 2018 and strive to deliver better performance going forward. "Powering Excellence" in executing our strategic imperatives to realise our vision.

DATO' AHMAD FUAAD KENALI
Chief Executive Officer



Operational Efficiency

The Group continues to maintain sustainable performance through continuous improvements in operational efficiency.

SUSTAINABILITY STATEMENT

AS A LEADING REGIONAL INDEPENDENT POWER AND WATER PRODUCER, WE STRIVE TO ENSURE OUR SUSTAINABILITY GOALS ARE RELEVANT AND CONTRIBUTE SIGNIFICANTLY TO THE ADVANCEMENT OF THE INDUSTRY'S ECOSYSTEM.

CEO'S MESSAGE

OUR COMMITMENT

GRI 102-14

SUSTAINABILITY AT MALAKOFF

At Malakoff, we are on a journey of balancing both the exploration of new ideas on sustainability and entrenching the steps that have already been taken. As a leading regional independent power and water producer, we strive to ensure our sustainability goals are relevant and contribute significantly to the advancement of the industry's ecosystem. Historically, the power industry depended on fossil fuel energy sources such as oil, gas and coal which may have adverse impact on the environment. Global utilities particularly the Europeans are moving aggresively towards renewable energy.

CAPITALISING ON GLOBAL TRENDS

According to *ExxonMobil's Outlook for Energy: A view to 2040*, the world population is expected to reach 9.2 billion by 2040, up from 7.7 billion today. Over that period, global Gross Domestic Product ("GDP") will likely double. As a result, the per capita GDP is projected to rise significantly particularly in the non-Organisation for Economic Co-operation and Development ("OECD") countries. This growth will coincide with improved living standards, resulting in rising energy usage particularly in Asian countries like China and India. Global electricity demand is projected to rise by 60% between 2016 and 2040. Renewable Energy ("RE"), mainly solar and wind, is expected to triple between now and 2040 and will help lower CO_2 intensity by around 30%.

ACCELERATING THE GOVERNMENT'S PUSH FOR RE

The Malaysian Ministry of Energy, Science, Technology, Environment & Climate Change ("MESTECC") has set a goal of achieving 20% electricity generation through RE by 2025, a significant increase from the 2% currently. In line with the Government's aspiration, Malakoff is also aggressively pursuing an RE target of more than 1,000 MW (power generation capacity) by 2023.

The proposed acquisition of Alam Flora Sdn Bhd serves as a stepping stone for the Group to penetrate the Waste Management and Environmental Services sector. Besides the opportunity to participate in this high growth sector through Alam Flora's exclusive concession, Malakoff will also be able to leverage on waste as a source of energy thus complementing its power generating activities. The Group will also be able to play a role in accelerating the Government's zero-single use plastic roadmap by 2030, through Alam Flora's non-concession business which deals with recycling initiatives and waste treatment technology. The concept of 3R – Reduce, Reuse and Recycle – will be crucial in reducing plastic pollution.

ENHANCING OPERATIONAL EXCELLENCE

The Group continues to maintain sustainable performance through continuous improvements in operational efficiency. Continuous business improvement undertaken include creating an innovative culture, implementing best practices across our operations and ensuring a safe working environment.

EMPOWERING PEOPLE

Having a robust and energised workforce ensures that business goals and aspirations are attainable particularly in a challenging business environment.

THE PATH AHEAD

Moving forward, our business strategy will focus on adapting to the new way of doing business taking into consideration the rapid transformation in the power generation industry. Whilst we will continue in our efforts to achieve operational excellence for our plants, the Group will aggressively pursue opportunities in high growth areas in both conventional and RE power generation as well as waste management and environment related services to achieve sustainable growth for Malakoff.

DATO' AHMAD FUAAD KENALI
Chief Executive Officer

SUSTAINABILITY STATEMENT

About This Report

GRI 102-54

Our 3rd Sustainability Statement ("Statement") is guided by the Bursa Malaysia Sustainability Guide (2nd Edition, February 2018), and prepared, in compliance with the Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines. This Statement aims to disclose to our stakeholders how we have set goals, measured performances, and managed changes in order to make our operations more sustainable. In doing so, our reporting facilitates in the understanding of the effects of sustainability development on the organisation's business activities and strategies, providing stakeholders with relevant information for decision making purposes.

This Statement documents various policies, programmes and commitments in relation to our Environmental, Social & Governance ("ESG") impact and mitigation. It 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.

The Statement is structured based on issues and material topics relevant to the Group and our stakeholders.

The point of contact for queries and feedback is given below.
GRI 102-3,102-53

Group Corporate Strategy
Malakoff Corporation Berhad

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sustainability@malakoff.com.my

03-2263 3388

Scope & Boundary

GRI 102-1,102-2,102-3,102-4,102,6,102-46,102-49,102-50,102-51,102-52

This 3rd Sustainability Statement is based on the Group's activities and performance limited to Malakoff Corporation Berhad's operation in Malaysia for the financial year ended 31 December 2018. Information and disclosures provided in the Statement are updates from our 2017 Sustainability Statement with no significant changes to our scope, boundary or measurement method where applicable.

Our Approach to Sustainability

GRI 102-18,102-19,102-20,102-22,102-23,102-24

Sustainability Governance

GRI 102-32

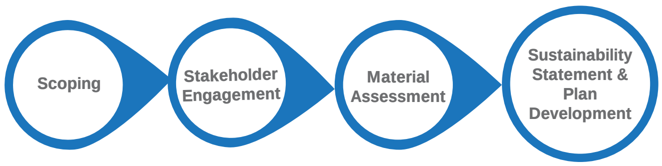
Our commitment to sustainability is reflected in our day-to-day operations at all levels of the organisation. At the leadership and strategic level, the Board and Senior Management acknowledge the importance of sustainable development and responsible investment. The approved 5-year Business Plan focused on the three key objectives i.e. strengthening fundamentals, achieving sustainable growth and operational excellence.

In the energy sector, sustainability is a key component of the operational ethos. Our responsibility to the environment is embedded in our philosophy. We ensure all specifications, equipment and standard operating procedures comply with regulations issued by the authorities and regulators and we offer periodic feedback and suggestions to the regulators.

The Group's strategic plan for sustainable growth includes potential investment in RE projects, in line with the government's target as stated in the CEO's Message under "Accelerating the Government's Push for RE". Embedding sustainability into the Group's culture is vital. Capital and resource planning geared to advance our initiatives to meet these imperatives were translated into measurable Key Performance Indicators ("KPIs") approved in the 5-year Business Plan.

KEY STRATEGIC PILLARS

The Sustainability Working Group ("SWG") section monitors, gathers data and provides consistent sustainability reports to the Chief Strategy and Investment Officer ("CSIO") who in turn reports to the CEO. All inputs and performance achievement disclosures have been authorised by the Head of Divisions, then checked by SWG for compliance with the Bursa Malaysia Guidelines and against GRI Standards on sustainability.



Summary of the guiding principles applied in preparing the Statement

The sustainability section additionally seeks new information and updates on best practices from recognised sustainability practitioners and regulators as we progress on our journey.

The next review of the Sustainability Framework, is anticipated to be in 2020.

Disclosure and External Assurance

GRI 102-12

As this is the third year of our sustainability reporting journey, we are at the beginning of a multi-year learning curve. We benchmark our framework and Statement against the industry's best practices. For 2018, we had obtained external assurances on performance baseline data on individual material topics.

Similar to the 2017 Statement, the 2018 Statement would be submitted to the register in accordance with the GRI Sustainability Reporting Guidelines.

STAKEHOLDER ENGAGEMENT

GRI 102-21,102-29,102-33,102-34,102-40,102-42,102-43,102-44

The expectations of our stakeholders have evolved. Our engagement with stakeholders have been via formal and informal channels. We engage our stakeholders regularly alongside the Corporate Affairs ("CA") Department and their feedback have helped us gauge what matters are important to them.

In 2018, we undertook a Stakeholder Engagement Survey, with our key internal and external stakeholders.

Stakeholder Group(s)	Engagement Platform	Frequency	Key Areas of Concern
Government Authorities	• Face-to-face Meetings • Surveys • Corporate Events	• Continuous • Bi-annual	• CAR 2014 compliance performance • Seawater extraction • Expiring PPAs • Tax issues
Law Enforcement Agencies	• Face-to-face Meetings • Surveys • Site Visits	• Continuous • Bi-annual	• Emission management • CAR 2014 compliance
Shareholders	• Face-to-face Meetings • Annual General Meetings • Interviews • Performance Reports • Quarterly Results Briefing	• Continuous • Annual • Bi-annual • Quarterly	• Financial & Operational performance • Business growth • Strategic direction • ESG issues
Customer	• Face-to-face Meetings • Surveys	• Continuous • Annual	• Customer experience • System availability • Resolving grievances • Supply issues
Employees	• Workshops • Town halls and Dialogue Sessions • Surveys	• Continuous • Annual	• Career development • Welfare & benefits • Process improvement • Performance management
Local Communities	• Face-to-face Meetings • Community Events	• Ongoing	• Environmental impacts • Educational programmes • Charitable contribution
Rating Agencies and Financial Institution	• Face-to-face Meetings • Media Releases/Announcements	• Ongoing	• Business performance • Business growth • Sustainability initiatives
Contractors/ Suppliers	• Vendor Day	• Ongoing • Bi-annual	• Competitive pricing • Procurement process improvement • Payment management • Coal procurement process

SUSTAINABILITY STATEMENT

MATERIALITY

GRI 102-31

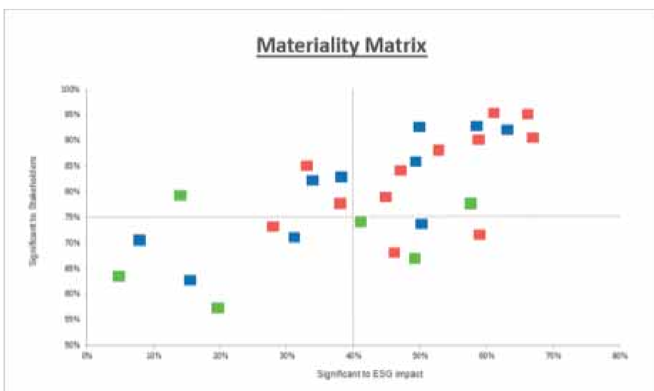
Material Topics

GRI 102-47,102-48

The heads of our business divisions capture stakeholder inputs and feed the data to SWG for analysis and disclosure. Together with the stakeholder's engagement conducted through survey forms, we have reviewed the findings of the 2016 Stakeholder Survey and identified 28 relevant topics for Malakoff's adoption.

The material topics identified have been prioritised based on their influence on stakeholders and impact on Economic, Social, Governance ("ESG"). These will be discussed in the following sections together with additional analysis and disclosure on other related topics. For 2018, they were regrouped according to 3 themes – Governance, Environment and People, in accordance with the GRI Guidelines.

Minor deviations on issues of interest from our initial 2016 materiality assessment have been incorporated in the re-prioritisation of our material topics of interest. Below is the materiality graph for the year under review.



Governance

Environment

People

GOVERNANCE

Covers various aspects of governance, operations, growth and profitability

- Operational Excellence
- Strategic Business Development
- Regulatory Compliance
- Government Policy and Strategy
- Shareholders Return
- Security of Supply
- Technology and Innovation
- Information Security
- Plant Security
- Plant Decommissioning
- Geopolitical Context
- Renewable Energy

ENVIRONMENT

Covers topics on our impact and approach towards the environment

- Waste Management
- Emission Management
- Water Use Impacts
- Biodiversity Impacts
- Natural Disaster
- Nuisance

PEOPLE

Covers our strategies on social issues, including talent management, diversity and performance

- Business Ethics and Transparency
- Occupational Safety and Health
- Management Leadership
- Employee Welfare
- Talent Development
- Community Investment and Development
- Diversity and Equal Opportunities
- Social Dialogue
- Responsible Subcontracting and Procurement
- Human Rights

GOVERNANCE AND STRATEGY

Covers various aspects of governance, operations, growth and profitability

"We are committed to applying the principles and best practices recommended by the Malaysian Code on Corporate Governance to improve and enhance the standards of corporate governance practised within the Group as well as to protect and enhance shareholders' value and financial performance. We believe that effective corporate governance is premised on three important cornerstones namely, independence, accountability and transparency"

Regulatory Compliance
GRI 203,GRI 307-1

3 Audits Conducted in 2018

- QHSSE Internal Audit
- Group HSSE Audit and Inspection
- Malakoff Group Internal Audit

3 SIRIM Recertification

- ISO 9001 Quality Management
- ISO 14001 Environmental Management
- OHSAS 18001 Occupational and Health Safety

To ensure we comply with the relevant Health, Security, Safety and Environment ("HSSE") regulations, Malakoff has developed frameworks and processes in accordance with relevant laws, regulations and other requirements. These include various audits and verification programmes. In 2018, we successfully conducted three different types of audits, namely the Quality, Health, Security, Safety and Environment ("QHSSE") Internal Audit, the Group HSSE Audit and Inspection and the Malakoff Group Internal Audit.

In addition to the above, Malakoff power plants successfully underwent a series of recertification audits conducted by SIRIM for ISO 9001, ISO 14001 & OHSAS 18001 accreditations and were successfully recertified.

As a result of these systematic and structured efforts, only one field citation was issued by the Department of Environment ("DOE") Negeri Sembilan to the Port Dickson Power Plant in 2018. The notice which was served to us is related to the management of scheduled waste under the Environmental Quality (Scheduled Waste Regulations) 2005. Based on this citation, we have revised and improved the current process of managing scheduled waste to ensure full regulatory compliance.

SUSTAINABILITY STATEMENT

ENVIRONMENTAL QUALITY (CLEAN AIR) REGULATIONS 2014

Stringent limits relating to the Environmental Quality (Clean Air Regulations) 2014 (“CAR 2014”) will come into effect in June 2019. These changes add 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”) for coal plants. Meanwhile, for gas plants, two new emission limits will be introduced which include Carbon CO and Opacity monitoring.

We appointed a consultant to conduct an assessment of the remedial works to be undertaken in order to achieve the limits specified in CAR 2014. In addition, we initiated an engagement session, audit and technical meeting jointly with DOE and other stakeholders to ensure that we are on course for compliance with the new Clean Air Regulations.

WHISTLE-BLOWING POLICY *GRI 102-16*

The Whistle-blowing Policy of the Group was established in 2014 and provides employees and third parties with proper procedure to disclose cases of Improper Conduct such as criminal offences, fraud, corruption, breach of Group Policies and Code of Conduct or other malpractices.

A Whistle-blower is assured confidentiality to the extent of being reasonably practicable. This includes protecting the Whistle-blower from detrimental actions which may result from the disclosure of Improper Conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy also ensures 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 shall be effected by the Chief Internal Auditor, subject to the final approval of the Chief Executive Officer, the Board Audit Committee and the Board of Directors.

In 2018, two cases were reported through the Whistle-blowing channel and appropriate actions were taken in accordance with the Policy.

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

Security of Supply

GRI 103-1,103-2,103-3, GRI 203

The security of supply to the National Grid is directly related to the availability of capacity and the reliability of plants operating within a given 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 Power Purchase Agreement without compromising the integrity of the plants.

SASARAN PENTING NEGARA 2018

- **Lumut Power Plant**
- **Prai Power Plant**
- **Tanjung Bin Power Plant**
- **Tanjung Bin Energy Power Plant**

AUDITED BY

Jabatan Sasaran Penting Negara (“JSPN”)

RESULTS 2018

SATISFACTORY

In 2018, we continued to review the security level of the plants for both adequacy and effectiveness. All our plants have been audited by JSPN with satisfactory results and added recommendations to further strengthen security especially at critical plants categorised as “Sasaran Penting Keutamaan Satu” or “Priority Target Number One”. We have the responsibility to ensure safe, secure and reliable power supply to the National Grid.

To ensure continuous improvement in plant availability and reliability, we have implemented various operations and maintenance initiatives, adopted state-of-the-art tools such as Condition Based Maintenance, Reliability Centered Maintenance, Root Cause Analysis in failure investigations to avoid recurrences, Reliability Centered Spares, Risk Based Inspection, Process Safety Management, Hazard and Operability Study, forced outage management, and benchmarking activities in all the plants.

Information Security

GRI 103-1,103-2,103-3,GRI 203

In an environment where technology continuously evolves and new risks regularly, managing information risk and security and assuring compliance through an effective IT governance is critical. Malakoff is committed to establish a clear and defined IT Governance and Security Framework to effectively manage our IT-enabled investments, IT operations, and protection of information and IT resources.

Additionally, we have improved the Information Management and Cyber Security (“IMACS”) standard operating procedure to ensure our IT and Plant Control System assets and resources are adequately protected from a wide range of threats including cyber-attacks internally and externally. We are also establishing the Risk, Internal Control and Compliance standards to protect IT resources by enforcing risk management, internal control monitoring and compliance review practices.

As part of our Digital Transformation journey, we have deployed cloud-based systems, such as Office365 to facilitate business operations and ease of communications. These initiatives are aligned with our policy of ensuring data security, uptime guarantee, archiving reliability, data loss prevention and other benefits. We continuously educate and provide alerts of cyber security threats to employees through emails and regularly conduct digital security awareness programme.

In 2019, we plan to enhance our operational and security processes, assess execution, strengthen enforcement, and review the compliance and effectiveness of policies and procedures. We continue to conduct security and vulnerability assessments periodically on all IT and plant control systems to protect critical information. Critical systems are assessed annually by independent third-party service providers who also provide updates on industry leading best practices.

In addition to accomplishing our 2019 IT Strategic Plan, we aim to facilitate the appropriate, effective and equitable use of IT resources, to improve overall efficiency to create optimal value.

Strategic Business Development

GRI 203

The Group has an established portfolio of power generation and water desalination assets and remains committed to develop these businesses by:

- Increasing the installed capacity (organically and inorganically);
- Expanding the renewable energy portfolio;
- Expanding the Operation and Maintenance (“O&M”) businesses; and

SUSTAINABILITY STATEMENT

- Exploring potential new project(s) in environmental-related sectors, synergising our existing skill sets and resources outside of Malaysia, particularly in high growth countries and in regions such as South East Asia and the Middle East.

The Group plans to increase its capacity within Malaysia by leveraging on its expertise, existing landbanks and infrastructure for potential re-powering and new power plant projects.

Renewable Energy ("RE")

GRI 203

On the RE front, the Group continues to pursue opportunities in line with the Malaysian Government's targets of achieving a cumulative RE portfolio of 20% by the year 2025. Committed to growing our sustainable energy assets, we have submitted bids for both local and overseas tenders as well as identifying potential targets of commercially viable RE projects. Our plan to develop an optimised RE portfolios for the Group will catalyse new growth and help to meet our sustainability agenda.

The Group's existing RE portfolios consist of a 210 MW wind asset and a 29 MWac O&M contract for a large scale solar photovoltaic power plant. The Group is also collaborating with other companies to jointly secure, develop and implement several renewable energy projects namely small hydro, solar (including rooftop solar), biogas and waste to energy projects. In 2018, the Group signed a Memorandum of Understanding ("MoU") and a Joint Development Agreement ("JDA") with Touch Meccanica Sdn Bhd to jointly develop several small hydropower projects in Pahang. In addition, the Group has also signed a JDA with Concord Alliance Sdn Bhd to explore and develop biogas-based power generation projects. The Group is also venturing into the onsite rooftop solar business and projects by offering potential rooftop solar solutions to selected customers with large facilities and with electricity consumption.

Internationally, the Group is on the lookout for suitable RE opportunities in the South East Asia region strategically into our portfolio. In November 2018, the Group was credited as a qualified applicant by PT Perusahaan Listrik Negara ("Persero") Indonesia for potential IPP of RE projects in Indonesia.

Alam Flora Sdn Bhd

The Group through its wholly owned subsidiary, Tunas Pancar Sdn Bhd ("TPSB"), had on 1 August 2018, entered into a conditional Share Sales Agreement ("SSA") with HICOM Holdings Berhad, a wholly-owned subsidiary of DRB-HICOM Berhad for the proposed acquisition by TPSB of a majority equity interest in Alam Flora.

With the acquisition, the Group intends to expand and diversify its existing principal activities to include the provision of integrated solid waste collection and management, public cleansing management, asset and facility management services, waste recycling and waste treatment businesses. Alam Flora's business shall provide the Group with an immediate stream of stable income.

Alam Flora was awarded a concession under a tripartite concession agreement dated 19 September 2011 entered between the Government of Malaysia, the Solid Waste and Public Cleansing Management Corporation and Alam Flora to provide solid waste collection and public cleansing management services to several concession areas in Pahang, Federal Territories of Kuala Lumpur and Putrajaya. The concession agreement is for a period of 22 years from 1 September 2011 until 31 August 2033.

Alam Flora is deemed a strategic fit for Malakoff for the following reasons:

(i) Opportunity to penetrate the Waste Management and Environmental Services sector and participate in the growth of the industry through a major industry player;
(ii) Potential for an additional and recurrent stream of revenue to sustain Malakoff's long-term growth; and
(iii) Potential expansion of Malakoff's portfolio of RE investments including waste to energy projects.

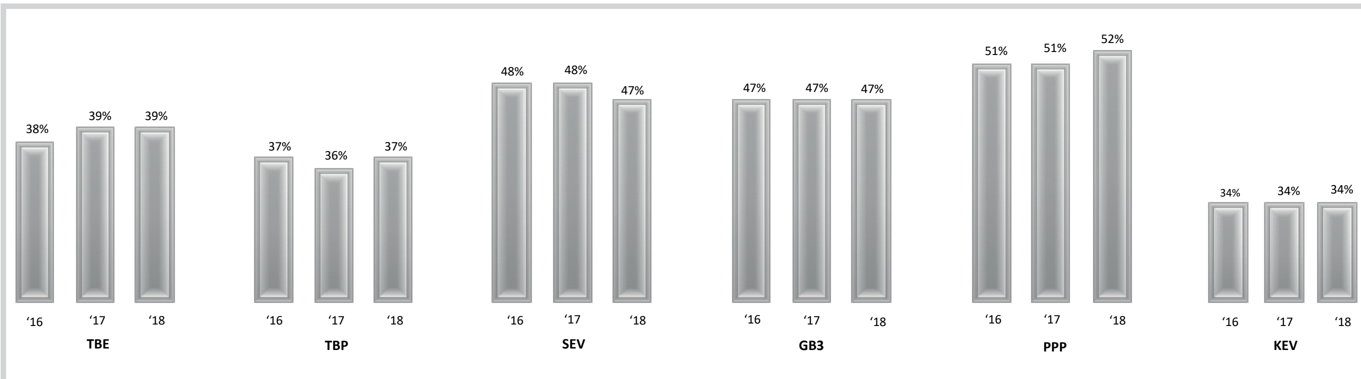
Operational Excellence

GRI 203

In 2018, Local Generation Division ("LGD") via our own 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 our performance targets. The LGD also manages 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 programme consisting of performance gap identification, remedy plans and potential risk forecasts. Periodic performance review sessions were conducted internally and externally throughout the year. The quarterly review identifies gaps and potential operational issues. It also helps the plants to properly plan the tasks to rectify any defects and schedule the required outage.

The following chart indicates the thermal efficiency among our local generating plants.



BUSINESS PROCESS IMPROVEMENT

Procurement Improvement Initiatives

GRI 102-9

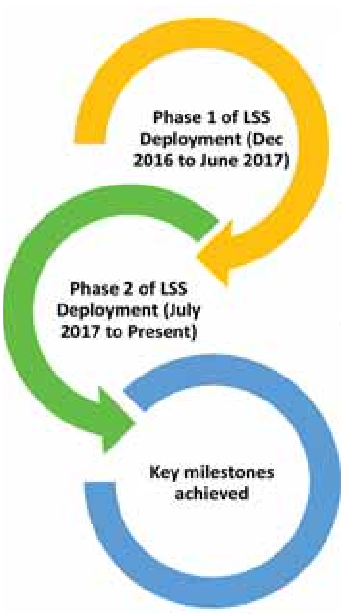
Implementation of E-Sourcing encourages more suppliers to participate. As E-Sourcing draws more competitive bids in the marketplace it has been embedded into the procurement process. Through E-Sourcing and E-Auction activities, the Group has benefited from significant cost savings in 2018.

To meet the challenging and competitive global economic conditions, Malakoff has sought new initiatives to improve the procurement process. A series of workshops and brainstorming sessions have been conducted by the appointed working group and the outcomes have been incorporated into the best practice procurement process to be implemented in the second quarter of 2019.

LEAN SIX SIGMA

We recognise that Operational Excellence is key to pursuing sustainability to create value for the organisation. Since its first deployment in Malakoff to drive process improvements, Lean Six Sigma ("LSS") now also focuses on realising the full potential of trained employees to utilise the tactical improvement tools in their routine operations. To further enhance LSS deployment, a new policy has been initiated to require all executive and management employees to train as a Green or Black Belts with certification becoming a criterion for promotion.

SUSTAINABILITY STATEMENT



- The focus was on establishing the governance structure, performance indicators, reporting format, and the LSS programme training. A pioneer group of 22 employees were trained as Green Belts in this phase.
- The LSS program was fully deployed throughout the organisation. White, Yellow, Green and Black Belt training has been conducted, involving 11 batches of trainees from KLHQ, TBPP, TBEPP, LPP, PPP, PDP and MUSB.
- Malakoff LSS Burning Platform and Champion training was also organised to provide insight into coordinating a programme, scheduling training and selecting projects.
- The total number of staff trained is 280, equivalent to 27% of employees with a 30% target set by the end of 2020.
- Total accumulated project savings is RM53 million (Hard and Soft savings).

LSS 2018 Green Belt graduates

Green 5S

As part of our Lean programme initiatives, we embarked on Green 5S in the third quarter of 2018 encouraging all staff to work together with the objective of fostering a more efficient, safe, clean and conducive work environment.

OBJECTIVES			
Safe, clean and conducive workplace	Create a Green environment through the cultivation of Green Practices	Instill discipline, morale, and good work etiquette as working culture	Enhance the Group's image through a clean and safe work place

Internal facilitators, auditors and awareness training will be continuously developed and periodic 5S audits will be implemented to ensure the sustainability of the programme.

ACTIVITIES COMPLETED IN 2018		
Internal Facilitators Development	Awareness Training at all sites	Gemba Session

PEOPLE

Covers our strategies on social issues, including talent development, diversity and performance management

"Our people are our priority. The Group is committed to creating a high-performance workforce and fostering a winning culture through an effective and efficient human resource system in order to realise our vision, mission and objectives. In 2018 the Group introduced a cloud-based Human Resources solution, branded as 'iHuman', with the aim of fostering excellent work values and principles amongst employees."

Our People

In aspiring to be an employer of choice, we continue to emphasise the role of our people as the driving force behind 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. To this end, we create various online and physical platforms to continuously engage our employees, seek their feedback, understand their career and personal motivations, and most importantly, plan their professional and career development.

At Malakoff, we believe that diverse skills-sets and perspectives in the workplace shall improve the dynamics of teamwork. Hence, our hiring policy and development strategies are based on meritocracy and aim to provide equal opportunities for learning and growth. We do not discriminate between employees on the basis of their ethnicity, gender, age, disability or status.

We acknowledge the critical role of our human capital in fulfilling the Group's growth aspirations and recognise the need to build our employees' capabilities and competencies so that they will make positive contributions. Therefore, continuous learning and development is a priority in Malakoff in order to enhance productivity and optimise performance. This is executed by leveraging on the diverse capabilities of our leaders and by arranging cross-functional assignments within the Group. Over the years, we have demonstrated that talent mobility within the organisation through the restructuring and realignment of roles can contribute to an agile and flexible workplace.

As at 31 December 2018, we had 1,028 employees, working as one team to ensure Malakoff is able to operate, produce and serve at the highest levels of efficiency and effectiveness.

The table below shows the composition of our employees.

WORKFORCE DATA				
TOTAL NUMBER OF EMPLOYEES		**2016**	**2017**	**2018**
		1,074	**1,035**	**1,028**
BREAKDOWN OF EMPLOYEES				
NATIONALITY		99.91%	100%	100%
		0.09%	-	-
CONTRACT TYPE	**PERMANENT**	93.39%	91.79%	90.86%
	CONTRACT	6.61%	8.21%	9.14%
GENDER DISTRIBUTION		85.66%	83.29%	84.44%
		14.34%	16.71%	15.56%
EMPLOYEE ABOVE AND BELOW AGE OF 35	**>35**	46.09%	51.59%	48.25%
	<35	53.91%	48.41%	51.75%
EMPLOYEE GROUP	**EXECUTIVE & ABOVE**	703	677	655
	NON EXECUTIVE	371	358	373
NO. OF NEW HIRES	**TOTAL**	**97**	**41**	**79**
	EXECUTIVE & ABOVE	42	16	42
	NON EXECUTIVE	55	25	37
ATTRITION	**TOTAL**	**54**	**80**	**83**
	EXECUTIVE & ABOVE	48	52	65
	NON EXECUTIVE	6	28	18

Occupational Safety and Health ("OSH")

GRI 403-2

Malakoff continues to implement a comprehensive HSSE Management System in accordance with ISO 14001 and OHSAS 18001 international standards. In 2018, Malakoff focused on improving its OSH performance by introducing the theme "Awareness & Enforcement". The theme was selected as Malakoff believes in ensuring that a sustainable OSH performance requires a systematic approach of increasing the awareness while at the same time ensuring its strict enforcement.

In 2018, a total of 1,348 OSH activities and programmes were organised by the Group to support the awareness and enforcement objectives. Among the key highlights include:

- **Organising Malakoff HSSE Day Celebrations:** Malakoff HSSE Day is celebrated at the Group level in conjunction with Group MMC HSSE day.

- **Implementation of Systematic Occupational Health Enhancement Level Programme (SoHELP):** SoHELP is a voluntary programme by the Department of Occupational Safety and Health (DOSH) Malaysia designed to help the industries comply with relevant regulations pertaining to occupational health particularly in the field of chemical management, ergonomic issues and hearing protection. As part of Malakoff's commitment, we have implemented the programme at two of our power plants namely Prai Power Plant and Lumut Power Plant. As a result, both power plants have achieved Level 5 which is the highest rating. The programme is also being introduced at Tanjung Bin Power Plant and Tanjung Bin Energy Power Plant.

- **Organising Road Safety Campaigns:** Road Safety is an integral part of Malakoff HSSE programme and awareness activities are regularly carried out to remind our staff and contractors on the importance of road safety within and outside of the power plants.

- **TAKE 2:** TAKE 2 is a behavioural-based programme to encourage all staff to spend TWO minutes of their time every day to observe any abnormal/unsafe practices to ensure his/her safety and health. This programme aims to create the awareness required to improve HSSE culture among staff.

- **HOPe Card:** This is another behavioural-based programme aimed at creating awareness and ultimately reducing the possibility of an accident from occurring by recognising all unsafe acts and conditions which are precursors to the accidents. This also empowers both management and employees to take responsibility when it comes to safety and health.

- **HSSE Document Review:** One of the key initiatives for 2018 is to review key HSSE documents such as HIRAC and SOPs. This is to ensure that these documents remain up-to-date and are aligned with the current regulatory requirements.

- **HSSE Walkdown and Inspection:** As part of the "enforcement" element in 2018, a series of planned and impromptu walkdowns and inspections were carried out to ensure that all OSH issues are captured and addressed. This activity is conducted together by management and employees.

	2017	2018	TARGET
TOTAL NO. OF INCIDENTS	22	25	
TOTAL NO. OF LOST TIME INJURY	4	3	1
LOST TIME INJURY FREQUENCY RATE	0.59	0.45	0.12

CERTIFICATION: ISO 14001 and OHSAS 18001

KEY FOCUS: Hazard and risk management (HIRAC, HAZOP, HAZID)

KEY INITIATIVES: Malakoff HSSE Day, Road Safety Campaign, TAKE 2 and HOPe Card

The increase in the number of incidents was due to an increase in outage activities in Tanjung Bin Energy Power Plant. However, the number of Loss Time Injury ("LTI") cases reduced from 4 in 2017 to 3 in 2018, which resulted in a lower Lost Time Injury Frequency Rate ("LTIFR") of 0.59 in 2017 to 0.45 in 2018.

SUSTAINABILITY STATEMENT

Talent Development

GRI 404-2

- **RM1.1 million for soft-skill, functional and leadership development**
- **RM2.19 million for technical training**

- **1,600 man-days**
- **5,300 man-days**

LEADERSHIP DEVELOPMENT

- **Malakoff Management Development Programme ("MMDP")**
  9-months development programme for Assistant Managers and Managers in the Group. A total of 50 employees were identified for this programme.
- **Harvard ASEAN Senior Management Development Programme (organised by HBS Alumni Club of Malaysia)**

TECHNICAL TRAINING

- **Plant-specific training**
- **Competency Based Assessment ("CBA")**

PERFORMANCE MANAGEMENT

- **Implementation of iHuman Cloud-based Human Resources solution**

The Human Capital division continues to support the Group in training and development. Investing and providing relevant development programmes are key to ensuring that employees are kept abreast of cutting-edge technological developments. The Human Capital division earmarked areas for improvement including refining the people management skills of our middle managers through the Malakoff Management Development Programme, a 9-month development programme for Assistant Managers and Managers in the Group. A total of 50 employees were identified for this programme.

Given the nature of our business which is technically driven, a substantial amount of training has been dedicated to developing our O&M work force. More tailored and specialised training programmes have been initiated to cater for changes in technology and to ensure business sustainability. The plant-specific training simulators at the power plants coupled with Competency Based Assessment ("CBA") serves as an effective platform for our employees to practise handling realistic simulations of operations and maintenance in power plant scenarios.

As we prepare ourselves to respond to rapidly changing business requirements 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 demographics to performance data – as an integrated process to drive people-related decisions and align them to our business goals.

In our quest to foster a high performance culture, we have implemented a cloud-based Human Resources solution and branded it as iHuman. It is our aspiration that the performance and management goals system which is part of iHuman will allow us to better organise our performance management system. The system allows us to better cascade and align the Group's goals and performance expectations to the level of the individual ensuring better understanding which will result in quality deliverables.

In aspiring to achieving growth, both in the local and international markets, it is critical for us to continue to invest in human capital to achieve greater productivity and better 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 of 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.

EMPLOYEE WELFARE AND BENEFIT UPDATE

All our permanent employees enjoy equitable and fair compensation packages and benefits which are competitive and at par with industry standards. Our policies governing employee benefits are also streamlined across the Group, with a focus on improving employee's morale, promoting work-life balance and improving employee's health and productivity. All benefits are offered based on individual merit, performance and contributions to the Group. At Malakoff, employee benefits are also linked to attracting and retaining talent. In April 2018, we enhanced the employees' Group Personal Accident and Term Life insurance coverage.

Management Leadership

GRI 404-2

In 2018, our Human Capital Division continued to build the leadership and talent pipeline, inspiring the 'one-team' spirit towards achieving the Group's vision and mission.

As part of our succession management, we identified high-potential employees with commendable track records who have demonstrated the skills to serve the future needs of the organisation. The Human Capital division has developed job profiling for critical positions below the Chief Executive Officer ("CEO") position. Competency Based Assessments for technical employees assess skill gaps and various interventions, including formal training and development programmes strengthen teamwork.

Community Investment Strategy

GRI 413

Underpinned by our strong belief that our success depends on our commitment to constantly engage with and understand the expectations of local communities as well as our employees, we strive to fulfill our responsibilities as an active member and contributor to the community. Over the years, our focus has been on education and the environment, especially towards those communities where we conduct our operations.

Measures to Improve Likelihood of Community

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.

SUSTAINABILITY STATEMENT

HIGHLIGHTS OF WAKALAH ZAKAT 2018

- RM36,000 to 90 Asnaf Fakir and Miskin listed by Majlis Agama Islam Johor in Tanjung Piai for Hari Raya assistance
- RM125,000 to 250 Asnaf in Mukim Serkat, Segari and Lukut for Hari Raya assistance
- RM36,900 to the local community of Mukim Serkat for their religious duties and obligations during the year
- RM35,050 educational assistance for Kawasan 1, Mukim Serkat, Pontian community
- RM40,000 allocation for maintenance of Masjid Al-Amin, Sungai Dinar in Pontian
- RM20,000 to Masjid Khairul Jariah, Segari for its upkeep and maintenance

Aimed at fostering community harmony and spirit through religious gatherings, a celebration in remembrance of the birth of Prophet Muhammad s.a.w. was organised by Malakoff, in collaboration with JKKK Mukim Serkat, and held at Masjid Al-Amin Kampung Sungai Dinar, Pontian, Johor. During the event, we handed over a hearse which will ease the carriage of 'jenazah' for burial.

Two Ceramah Perdana were held in the local communities at Segari, Perak and Mukim Serkat, Pontian, Johor that aimed at broadening their knowledge about Islam. Approximately 1,500 residents attended both events which deliberated upon Prophet Muhammad s.a.w.'s teachings and Islamic family building, respectively.

We also organised "Korban" to both communities for their Aidil Adha celebration, during which the respective local congregations gathered to help divide the meat in the spirit of gotong royong and distribute packages of meat to the needy in their respective areas.

As part of our efforts to further strengthen Malakoff's goodwill with the local community while promoting unity and togetherness among them, the annual "Karnival Sukan Rakyat Malakoff-Mukim Serkat" was held on 8 and 9 December 2018 at Jeti Nelayan Kampung Tanjung Piai and Balairaya Pekan in Mukim Serkat, Johor attracting more than 1,000 participants and spectators from the local community. The two-day event was packed with traditional community-oriented competitions and games such as 'Jong', bowling using coconuts, pillow fight on a pole, 'puyu' fishing, freestyle swimming and boat tug-of-war.

Along with the competitions, Malakoff staff also worked hand in hand with the Mukim Serkat community to clean up the surrounding area. A free medical check-up was also made available as a service for the community.

Youth Education and Development

GRI 413-1

In March 2018, we initiated an educational programme called, "Corporate Social Responsibility (CSR) Education Programme" for the Mukim Serkat community. The pillar of this programme is 'Jom Sarap', that aimed to provide school children with nutritious breakfast. Following this, 156 Primary 6 students from these schools participated in a motivational talk and examination seminar entitled "Program Kecemerlangan UPSR" to prepare UPSR students for the examinations. The other parts of the programme are "English is Fun" and the creation of a Mini Library in Kompleks Penghulu Mukim Serkat.

On top of the Education Programme, as part of our efforts in 2018 to help support education, we distributed RM60,000 to our 11 adopted schools for the provision of better infrastructure and learning tools.

For tertiary education, in order to enhance understanding in Science, Technology, Energy and Mathematics, (the 'STEM' subjects), Malakoff collaborated with University Malaysia Pahang ("UMP"), to carry out a "Switching on Green Technology" programme which was aimed at empowering students by raising their awareness and educating them on RE.

CSR EDUCATION PROGRAMME

"Jom Sarap"

7 Primary Schools
982 Students

programme aimed to provide school children with nutritious breakfast

"Mini Library"

At Kompleks Penghulu Mukim Serkat

~ 300 books donated by Malakoff Staff

cultivate a reading culture among the younger generation within the community.

"Program Kecemerlangan UPSR"

Motivational Talk & Examination Seminar

7 Primary School
156 Primary 6 Students

"English is Fun"

Three-day English language proficiency series

50 participants
consisting children and adults

aims to foster the usage of the English language among the local community by implementing an engaging and fun learning methodology.

SUSTAINABILITY STATEMENT

Environmental Awareness

GRI 413-1

Malakoff launched its latest CSR initiative in 2018 called "Jom Plogging Bersama Komuniti 2018" at Teluk Senangin, Manjung, Perak. The programme was organised in collaboration with Majlis Perbandaran Manjung ("MPM"), to raise public awareness on environmental conservation, cleanliness and to promote a healthy lifestyle. Around 300 participants took part in the activity, which involved cleaning-up while jogging for 4km along the shores and around the villages in Teluk Senangin. Approximately two tonnes of rubbish were collected by the participants, which were then sorted and separated for plastic, glass and paper.

The Malakoff-MPSJ Trees Planting Programme, another new CSR initiative, was held at Taman Kejiranan Putra Bahagia 8/3K in Putra Heights is a collaboration effort between Malakoff and Majlis Perbandaran Subang Jaya and is supported by Yayasan Hijau ("YaHijau"). 150 participants of all ages consisting of Malakoff staff and the residents of Taman Putra Bahagia 8/3K, Putra Heights, Selangor gathered to plant a tree to create awareness on environmental conservation for future generations, in line with Malakoff's CSR commitment to the environment.

Of the 500 saplings sponsored by Malakoff, 150 saplings planted in the park included Tamarindus indica (Tamarind), Annona muricata (Soursop), Laburnum x watereri (Golden Chain) and Maniltoa browneoides (Handkerchief tree).

ENVIRONMENT

Covers topics on our impact and approach on environmental aspects of sustainability

"Malakoff believes in the goal of sustainable development as the cornerstone of business policy. As a good corporate citizen, we responsibly adhere to and comply with all relevant environmental legislation of the countries in which we operate. In all matters pertaining to the use of resources and elimination of pollution we go a step beyond compliance to implement every available measure to safeguard and preserve the environment during the course of our business operations."

Emissions Management

GRI 305-1, 305-2, 305-5

Considering its abundant reserves and competitive pricing, coal will likely maintain its market dominance as the biggest single source of energy for electricity production globally, despite the growing concern on CO emissions. Our strategy is to move towards balancing our energy-mix, which means shifting our focus towards renewable energy for the middle to long-term horizon. In the meantime, we have deployed advanced and clean technologies which will help to significantly reduce emissions. As an example, our recent installation of the highly efficient ultra-super critical boiler technology at TBEPP is in full compliance with the new CAR 2014 regulations.

To ensure compliance with emission limits, our plants employ a stringent emissions-control equipment maintenance schedule and ensure optimal operational efficiencies. Our facilities, as far as emissions management is concerned, report real-time emissions data from the plant to the respective Department of Environment ("DOE") database for online monitoring by the regulator. All Greenhouse Gas ("GHG") and non-GHG emissions produced by our local generating facilities are directly related to the fuel property and combustion process.

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

SUSTAINABILITY STATEMENT

Non-GHG	Emission from Coal	GHG
Our facilities are equipped with: 1. Filtration equipment to reduce Particulate Matter ("PM") emissions – an electrostatic precipitator and fabric filter are installed at TBPP and TBEPP respectively 2. Flue Gas Desulphurisation ("FGD") to reduce Sulfur Oxide ("SOx") emissions; and 3. Stage combustion to reduce Nitrous Oxide ("NOx") emissions	1. Minimising emissions from coal properties through a stringent coal selection process governed by established internal procedure complying to the Coal Supply and Transportation Agreement ("CSTA"). 2. Committed to partner with the industry to pioneer sustainable solutions.	1. Commitment towards reducing Scope 1 and Scope 2 emissions via fuel optimisation and a purchased electricity management strategy. 2. Participating with TNB Research ("TNBR") to develop the GHG emission factor for the 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").

ENERGY EFFICIENCY

In line with our effort to support the Government's aspiration in unlocking potential energy saving efficiency, the Group had also started implementing initiatives within our KL office. It involves the changing of fluorescent lights to LED lamps for five (5) office floors of our KL office. Savings in the monthly electricity bill amounted to approximately 27% a month after the full installation of the LED lamps. The initiative has been further extended to include an energy audit exercise for the Group's District Cooling Plant owned and operated by Malakoff Utilities Sdn Bhd ("MUSB"). It is conducted to understand the current efficiency of MUSB's chiller plant system and to identify potential improvement for the system which can translate into potential energy savings for MUSB.

Water Use Impact

GRI 303-1, 303-2, 303-3

Water Management

Seawater is used by our power plants for cooling purposes and raw water for general administrative and process requirements. Raw water used in electricity generation process is mainly to replenish water and steam loss to the environment during operations. Our raw water supplies are obtained from the respective state water supply companies such as Perbadanan Pembekalan Air Pulau Pinang ("PBAPP"), Syarikat Air Johor ("SAJ") and Lembaga Air Perak ("LAP").

Most of our power plants optimise the water usage by means of monitoring and reducing of all blowdown activities to reduce water losses as compared to previous operation method.

Efforts on water management at TBPP especially through 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). Additionally, the TBPP plant also adopted a rainwater harvesting system, which is used to collect water for general cleaning purposes around the plant area.

Waste Management

GRI 306-1, 306-2, 306-5

TBPP and TBEPP coal-fired plant have a combined generation capacity of 3,100 MW and produced about 45,000 metric tonnes of Fly Ash and 8,000 metric tonnes of Bottom Ash every month. We have a coal ash disposal procedure helping us to manage our ground, water and air contamination as we recognise the risks from coal ash disposal from our coal-fired power.

Malakoff has entered into a Coal Ash Offtake Agreement with G-Cast Concrete Sdn. Bhd. ("G-Cast") for the collection of coal ash from its Tanjung Bin Power Plant ("TBPP") in Pontian, Johor Darul Takzim. By the terms of the agreement, G-Cast will collect coal ash from TBPP for a period of 10 years, with an option to extend for an additional three years.

The third-party offtake agreement is one of Malakoff's sustainability initiatives to recycle the ash generated from TBPP's 2,100 MW coal-fired power plant into construction material such as sand replacement as practiced in Europe and Japan.

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 approved domestic contractors and sent for either landfill or incineration disposal.

RAW WATER CONSUMPTION

		2016 (m^3)	2017 (m^3)	2018 (m^3)
PRAI POWER PLANT	PBA	201,565	207,476	223,731
LUMUT POWER PLANT		513,159	469,021	369,781
TANJUNG BIN POWER PLANT	SAJ	1,995,067	1,631,673	1,629,642
TANJUNG BIN ENERGY POWER PLANT	SAJ	720,902	379,528	356,567
TOTAL		3,420,693	2,687,698	2,579,722

SUSTAINABILITY STATEMENT

THE WAY FORWARD

The Group remains confident and optimistic that the strategies for sustainability laid out in this Statement, including new acquisitions, as well the initiatives in RE, promise an exciting new phase of growth in the Group's medium to long term effort to sustain value creation. The global demand for power and water will continue to be positive and will be met in future by ever more efficient and cost-effective technologies including repowering and renewables.

We are committed in our conviction that the proposed acquisition of Alam Flora will yield synergistic benefits and create satisfactory returns for the Group. We are encouraged by the dedication and commitment of our team and indeed, we believe this is the beginning of better things to come.

The widespread interest in RE to combat climate change is attracting public and private investment to meet Malaysia's target of a 20% contribution by renewables to the national generating capacity by 2025 and we will play our part in full to help the country achieve that target.

Other ongoing initiatives put in place will only enhance the Group's competitive advantages and sustainability. These include initiatives to create a culture of operational excellence, tightened IT security, and most importantly zero tolerance for any action or omission that risks the health and safety of our people.

In tandem with our support for the Energy Commission, the industry regulator, we will promote the growth and use of RE and we will continue to play our part in developing solutions and initiatives to overcome practical problems related to the adoption and verification of best practices for procurement, management, and development of the domestic power generation industry.

On the international front, the Group continues to develop and build alliances to strengthen our business in countries where we currently operate: Algeria, Bahrain, Oman, Saudi Arabia, Australia and more broadly, in the MENA and South East Asia regions. We hold fast to our ten-year aspiration to raise the Group's power and water capacity held worldwide to 10,000 MW and 1 million cubic metre of desalinated water production per day respectively.

We recognise that sustainability is a journey and our efforts will be directed and strengthened towards a more strategic approach in the next few years. In 2016, we began our sustainability journey with the setting up of a Sustainability Working Group comprising of the various departments and teams across the organisation. By encouraging dialogue and through taking on a more structured approach, we get closer every day to embedding sustainability in the organisation.

GRI Standard		Disclosure	Page No
GRI 101: Foundation 2018 General Disclosures			
GRI 102: General Disclosures 2018	**Organizational Profile**		
	102-1	Name of the organization	002 (refer to AR)
	102-2	Activities, brands, products, and services	002 (refer to AR)
	102-3	Location of headquarters	007 (refer to AR)
	102-4	Location of operations	010 - 011 (refer to AR)
	102-5	Ownership and legal form	007 (refer to AR)
	102-6	Markets served	010 - 011 (refer to AR)
	102-7	Scale of the organization	003 (refer to AR)
	102-8	Information on employees and other workers	060 (refer to AR)
	102-9	Supply chain	055 & 057 (refer to AR)
	102-10	Significant changes to the organization and its supply chain	055 & 057 (refer to AR)
	102-11	Precautionary principle or approach	102 - 108 (refer to AR)
	102-12	External Initiatives	050 & 068
	Strategy		
	102-14	Statement from senior decision maker	048 - 049
	102-15	Key impacts, risks, and opportunities	048 - 049
	Ethics and Integrity		
	102-16	Values, principles, standards and norm behavior	054 - 054
	102-17	Mechanisms for advice and concerns about ethics	054 - 054
	Governance		
	102-18	Governance structure	084 - 101 (refer to AR)
	102-19	Delegating authority	050 - 051
	102-20	Executive-level responsibility for economic, environmental, and social topics	050 - 051
	102-21	Consulting stakeholders on economic, environmental and social topics	051 - 052
	102-22	Composition of the highest governance body and its committee	084 - 101 (refer to AR)
	102-23	Chair of the highest governance body	084 - 101 (refer to AR)

SUSTAINABILITY STATEMENT

	102-24	Nominating and selecting the highest governance body	084 - 101 (refer to AR)
	102-26	Role of highest governance body in setting purpose, values, and strategy	084 - 101 (refer to AR)
	102-27	Collective knowledge of highest governance body	084 - 101 (refer to AR)
	102-28	Evaluating the highest governance body's performance	084 - 101 (refer to AR)
	102-29	Identifying and managing economic, environmental, and social impacts	051 - 052
	102-30	Effectiveness of risk management processes	084 - 101 (refer to AR)
	102-31	Review of economic, environmental, and social topics	051 - 052
	102-32	Highest governance body's role in sustainability reporting	084 - 101 (refer to AR)
	102-33	Communicating critical concerns	054
	102-34	Nature and total number of critical concerns	054
	102-35	Remuneration policies	084 - 101 (refer to AR)
	102-36	Process of determining remuneration	084 - 101 (refer to AR)
	102-37	Stakeholders' involvement in remuneration	084 - 101 (refer to AR)
	102-38	Annual total compensation ratio	084 - 101 (refer to AR)
	102-39	Percentage increase in annual total compensation ratio	084 - 101 (refer to AR)
	Stakeholder Engagement		
	102-40	List of stakeholder groups	051
	102-42	Identifying and selecting stakeholders	051
	102-43	Approach to stakeholder engagement	051
	102-44	Key topics and concerns raised	051
	Reporting Practice		
	102-45	Entities included in the consolidated financial statements	118 - 242 (refer to AR)
	102-46	Defining report contents and topic boundaries	050
	102-47	List of material topics	052
	102-48	Restatement of information	052
	102-49	Changes in reporting	052
	102-50	Reporting period	050
	102-51	Date of the most recent reports	050
	102-52	Reporting cycle	050
	102-53	Contact point for questions regarding the report	050
	102-54	Claims of reporting in accordance with the GRI standards	050

	102-55	GRI content index	071 - 075
	102-56	External assurance	051
GRI 201: Economic Performance	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	030 (refer to AR)
	103-2	The management approach and its components	036 - 046 (refer to AR)
	103-3	Evaluation of the management approach	036 - 046 (refer to AR)
	Economic Performance		
	201-1	Direct economic value generated and distributed	118 - 242 (refer to AR)
GRI 203: Indirect Economic Impacts	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	063 - 066
	103-2	The management approach and its components	063 - 066
	103-3	Evaluation of the management approach	063 - 066
	Indirect Economic Impacts		
	203-1	Infrastructure investments and services supported	063 - 066
	203-2	Significant indirect economic impacts	063 - 066
GRI 303: Water	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	069
	103-2	The management approach and its components	069
	103-3	Evaluation of the management approach	069
	Water Use Impact		
	303-1	Water withdrawal by source	069
	303-2	Water sources significantly affected by withdrawal of water	069
	303-3	Water recycled and reused	069
GRI 305: Emissions	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	067 - 068
	103-2	The management approach and its components	067 - 068
	103-3	Evaluation of the management approach	067 - 068
	Emissions		
	305-1	Direct (Scope 1) GHG emissions	067 - 068
	305-2	Energy indirect (Scope 2) GHG emissions	067 - 068
	305-5	Reduction of GHG emissions	067 - 068

SUSTAINABILITY STATEMENT

GRI 306: Effluents and Waste	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	069
	103-2	The management approach and its components	069
	103-3	Evaluation of the management approach	069
	Waste		
	306-2	Waste by type and disposal method	069
	306-5	Water bodies affected by water discharges and/or runoff	069
GRI 307: Environmental Compliance	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	053 - 054, 068
	103-2	The management approach and its components	053 - 054, 068
	103-3	Evaluation of the management approach	053 - 054, 068
	Environmental Compliance		
	307-1	Non-compliance with environmental laws and regulations	053 - 054
GRI 401: Employment	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	059 - 060
	103-2	The management approach and its components	059 - 060
	103-3	Evaluation of the management approach	059 - 060
	Employment		
	401-1	New employee hires and employee turnover	059 - 060
GRI 403: Occupational Health and Safety	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	061
	103-2	The management approach and its components	061
	103-3	Evaluation of the management approach	061
	Occupational Health and Safety		
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	061

GRI 404: Training and Education	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	062
	103-2	The management approach and its components	062
	103-3	Evaluation of the management approach	062
	Training and Education		
	404-2	Programs for upgrading employee skills and transition assistance programs	062
GRI 413: Local Communities	**Management Approach Disclosures**		
	103-1	Explanation of the material topic and its Boundary	063 - 066
	103-2	The management approach and its components	063 - 066
	103-3	Evaluation of the management approach	063 - 066
	Local Communities		
	413-1	Operations with local community engagement, impact assessments, and development programs	063 - 066

CORPORATE EVENTS HIGHLIGHTS

8 January 2018
Malakoff and Touch Meccanica Sdn Bhd ("TMn") signed a Memorandum of Understanding ("MoU")

JANUARY

26 March 2018
"Jom Sarap" programme for 982 primary school students in Mukim Serkat was officially launched

APRIL

3 April 2018
The first batch of Lean Six Sigma graduates with their certificates

MARCH

12 April 2018
Ceramah Perdana KLHQ delivered by Ustaz Dato' Badli Shah on *Isra' Mikraj*

18 April 2018
Malakoff organised a friendly football match with the Energy Commission

26 April 2018
Malakoff's 12th Annual General Meeting

10 May 2018
Malakoff organised a motivational seminar for UPSR students in Mukim Serkat

MAY

JUNE

4 June 2018
Iftar with the local community at Masjid Kampung Tok Muda (Kapar, Selangor)

7 June 2018
Iftar with the local community at Masjid Al Amin Sungai Dinar (Mukim Serkat, Pontian, Johor) and Masjid Padang Lallang (Bukit Mertajam, Penang)

9 June 2018
Iftar with the local community at Masjid Kampung Paya (Lukut, Negeri Sembilan)

26 June 2018
Hari Raya Aidilfitri celebration at Tanjung Bin Power Plant

29 June 2018
Hari Raya Aidilfitri celebration at Lumut Power Plant

CORPORATE EVENTS HIGHLIGHTS

2 July 2018
Hari Raya Aidilfitri celebration at Prai Power Plant

JULY

4 July 2018
Hari Raya Aidilfitri celebration at KLHQ

5 August 2018
Malakoff and Energy Commission participated in an angling event hosted by Port Dickson Power Plant

11 July 2018
Malakoff sponsored the "Switching on Green Technology" programme at University Malaysia Pahang

5 July 2018
Hari Raya Aidilfitri celebration at Port Dickson Power Plant

15 August 2018
Ceramah Perdana KLHQ delivered by Ustazah Datuk Dr Norhafizah Musa on *Maal Hijrah*

14 August 2018
Malakoff's Tanjung Bin Power Sdn Bhd ("TBP") and G-Cast Concrete Sdn Bhd signed a Coal Ash Offtake Agreement

AUGUST

19 August 2018
Malakoff collaborated with Tanjung Piai Member of Parliament to distribute financial aids to asnaf recipients

20 August 2018
Malakoff donated 2 cows to the local community in Segari in conjunction with the Hari Raya Aidiladha celebration

21 August 2018
Malakoff donated 2 cows to the local community in Mukim Serkat in conjunction with the Hari Raya Aidiladha celebration

8 September 2018
Malakoff organised a friendly futsal game with the Economic Planning Unit, Energy Commission and Tenaga Nasional Berhad ("TNB")

SEPTEMBER

7 September 2018
Malakoff and Concord Alliance Sdn Bhd ("Concord") signed a Joint Development Agreement ("JDA") on Renewable Energy ("RE") projects

13 September 2018
Ceramah Perdana KLHQ delivered by Ustaz Haslin Bollywood

23 September 2018
Ceramah Perdana Mukim Serkat delivered by Ustaz Ebit Lew

29 September 2018
Malakoff organised *"Jom Plogging Bersama Komuniti"* at Teluk Senangin, Lumut, Perak

CORPORATE EVENTS HIGHLIGHTS

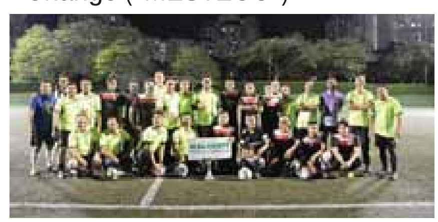
OCTOBER

4 October 2018
Lumut Power Plant organised its Health, Security, Safety and Environment ("HSSE") Day 2018

2 October 2018
Malakoff Extraordinary General Meeting

6 October 2018
Malakoff collaborated with Yayasan Hijau and Majlis Perbandaran Subang Jaya ("MPSJ") for a Tree Planting Programme

19 October 2018
Malakoff organised a friendly football match with the Ministry of Energy, Science, Technology, Environment and Climate Change ("MESTECC")



26 October 2018
Malakoff organised friendly football and netball matches with TNB

NOVEMBER

1 November 2018
Malakoff and TMn signed a JDA on RE projects

3 November 2018

Malakoff organised a friendly bowling match with New Straits Times Press ("NSTP")

18 November 2018

Malakoff launched its Mini Library at Mukim Serkat

11-12 November 2018

Tanjung Bin organised its HSSE Day 2018

DECEMBER

8 December 2018

Malakoff and JKKK Mukim Serkat organised "*Karnival Sukan Rakyat Mukim Serkat*"

22 November 2018

Ceramah Perdana Segari delivered by Ustaz Ebit Lew

12 December 2018

Villagers from Mukim Serkat participated in the "English is Fun" class organised by Malakoff

12-21 December 2018

Prai Power Plant organised its HSSE Week 2018

14 December 2018

Malakoff organised a friendly bowling match with MESTECC

CORPORATE EVENTS HIGHLIGHTS

22 December 2018

Malakoff donated an educational assistance to the Mukim Serkat community from Wakalah Zakat fund

29 December 2018

Malakoff donated a hearse to the community at Kampung Sungai Dinar, Pontian

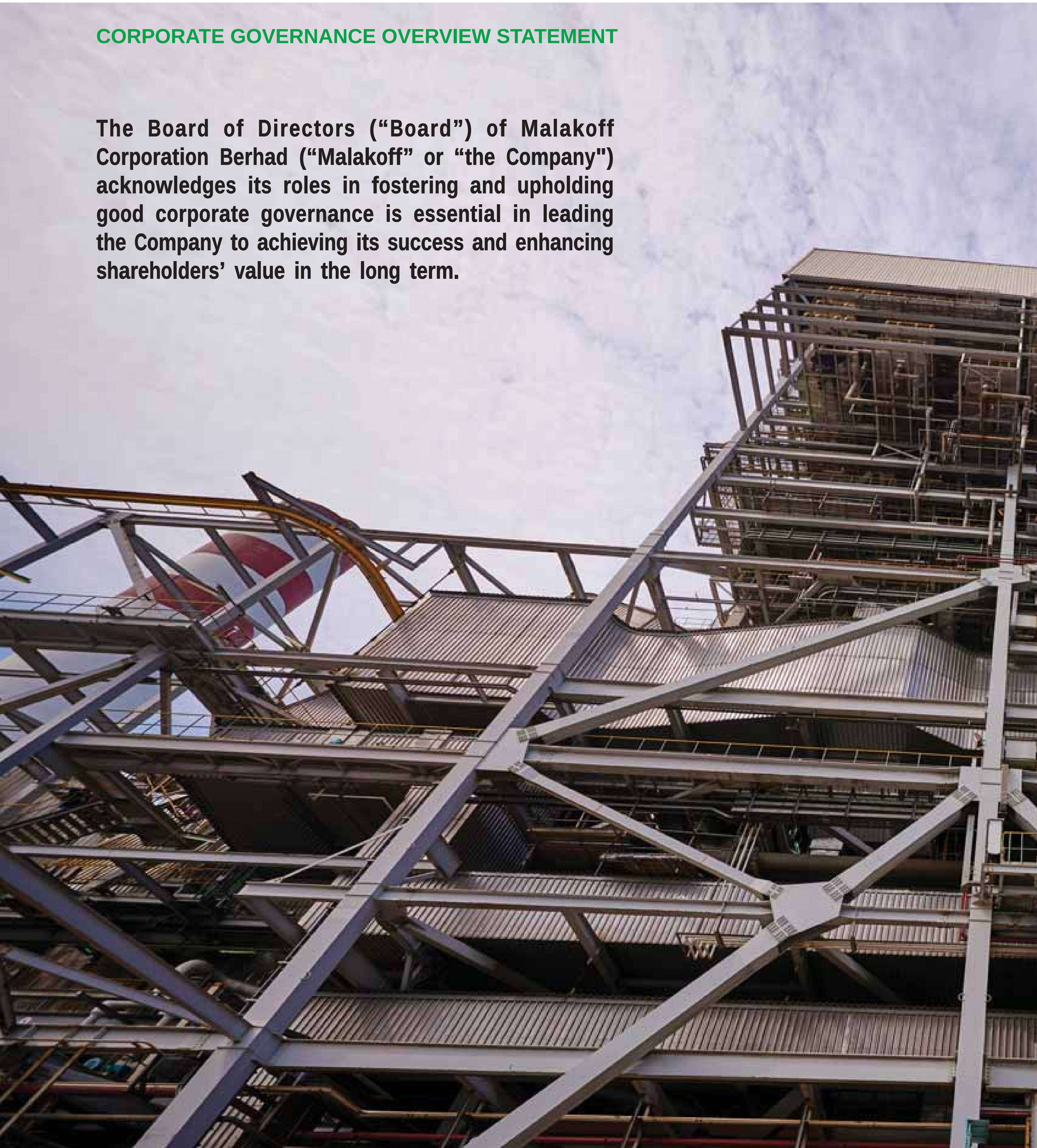
Value Creation

A strong foundation as well as a healthy balance sheet will prepare us to pursue value-accretive green field projects and acquisitions aimed at further improving long-term shareholder returns.

GOVERNANCE STATEMENTS

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Malakoff Corporation Berhad ("Malakoff" or "the Company") acknowledges its roles in fostering and upholding good corporate governance is essential in leading the Company to achieving its success and enhancing shareholders' value in the long term.

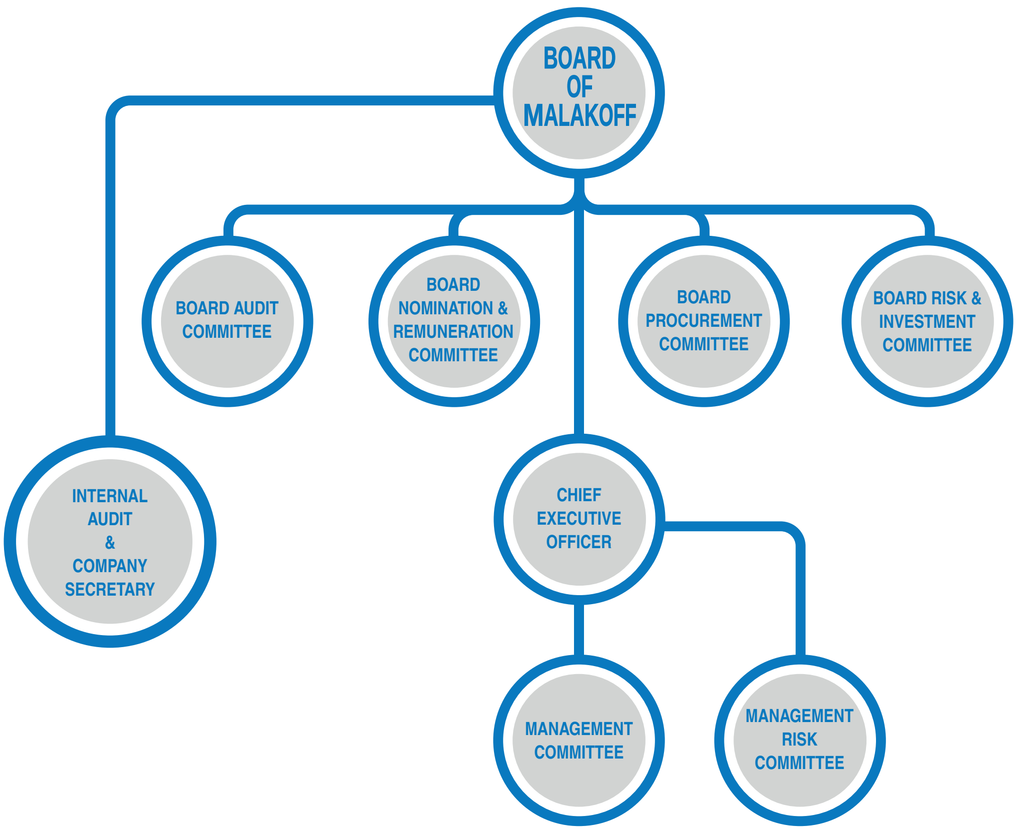


Therefore, although faced with an increasingly challenging operating environment, the Board continues to take its responsibilities under the Malaysian Code of Corporate Governance 2017 ("MCCG 2017") with care and had made every effort, where possible, in applying the principles of good corporate governance prescribed in the MCCG 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This corporate governance overview is prepared up to 8 March 2019 and was approved by the Board on even date. It sets out a summary of the corporate governance practices undertaken 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. In addition to this, the application of each of the practices set out in the MCCG 2017 is disclosed in our Corporate Governance Report (CG Report) which is available on Malakoff's corporate website at www.malakoff.com.my Malakoff's Corporate Governance Framework which is premised upon the following statutory provisions, best practices and guidelines is summarised in the diagram below:

1. Companies Act 2016 ("**Act**");
2. Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"); and
3. MCCG 2017.



A. BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD ACTIVITIES

The principal role of the Board of Malakoff ("**Malakoff Board**") is to govern and set the strategic direction of the Group while exercising its oversight over management of Malakoff and its businesses in accordance with the approved strategic plan for the Malakoff Group. This strategic plan, albeit approved, remains a robust plan as it is reviewed periodically by the Management to ensure relevance to its current operating environment including changes to the Government's policies for the power industry.

The Board also sets the Group's core values, adopts proper standards to ensure that the Group operates with integrity, and complies with the relevant rules and regulations. The roles and responsibilities of the Board are set out in the Board Charter which is available on the Malakoff's corporate website at www.malakoff.com.my.

In fulfilling its roles and responsibilities, the key activities of the Board during the financial year 2018 ("**FY2018**") are as set out below:-

Strategy

- attended the annual strategy engagement session with the Management at an offsite location for the setting of the Group's 5-year business plan from 2019 to 2023.
- attended industrial analysts' briefings to gain better insights of the global shift of market trends and industry, competition strategy, insights on emerging market before setting the strategic direction of the Group for its 5-year business plan.
- quarterly update on business development initiatives approved under the business plan, its progress and their challenges.

Financial oversight & reporting

Reviewed and deliberated on the following reports and approval papers:-

- Annual budget and capital/operation expenditure plan of the Group for financial year 2019;
- the Group's quarterly interim financial results;
- the Group's tenders and procurements in accordance with Limits of Authority ("**LOA**") of the Group;
- the Group's Transfer Pricing Policy – Intragroup Financing Transactions of Malakoff Group; and
- the revised LOA to streamline the approving authorities to reflect the revised organisation structure of Malakoff.

Risk, Compliance and Oversight

Reviewed, deliberated and/or endorsed/approved the following reports and approval papers: -

- action plans to mitigate significant strategic and operational risks faced by the Group on quarterly basis;
- quarterly reports of the Group's safety performance for the Group's local and overseas operating assets of the Group and reviewed the HSSE activities undertaken during the financial year to improve safety performance and enhance workplace safety awareness;
- Internal Audit Reports from the Board Audit Committee ("**BAC**");

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Risk, Compliance and Oversight (continued)

- quarterly reports of the related party transactions and recurrent related party transactions to ensure that the transactions entered by the Malakoff Group with related parties are fair, reasonable and not detrimental to the minority shareholders' interest;
- the adequacy and the integrity of the Management information and internal control systems of the Company and the Group; and
- the Group's compliance with the relevant laws and regulation as well as Malakoff's internal policies and procedures including the Companies' Constitution.

Governance

Board performance and composition

- annual Board assessment to evaluate the performance of the Board, Board Committees and the individual directors.
- monitored the attendance of Directors for trainings, seminars and workshops to keep themselves abreast with recent development of laws, regulations and the industry.
- reviewed the composition of the Board and Board Committees and of its key subsidiaries.

Leadership evaluation & selection

Reviewed, deliberated, oversaw and/or endorsed/approved the following activities: -

- setting of Corporate Key Performance Indicators ("**KPIs**") upon the approval of the business plan for 2019;
- achievement of the Corporate KPIs for the performance against set KPIs for 2018; and
- determination of bonus and salary increment for the Chief Executive Officer ("**CEO**") and the Senior Management team.

Succession planning

- succession planning for the CEO, Senior Management team and other key positions.
- reviewed and evaluated the calibre and suitability of candidate(s) to be nominated to the Boards of Malakoff's key subsidiaries or associate companies.
- establishment of internal policy and training for employees who are nominated to represent Malakoff on the Boards of subsidiaries and associates of the Group.
- reviewed Talent Management and Development programmes.

Sustainability

- reviewed and monitored the Group's corporate social responsibilities ("**CSR**") and the related activities to promote CSR.
- reviewed and considered the social and environmental impact of the Group's activities and operations and monitor the compliance with the Group's sustainability responsibilities and the relevant regulatory requirements.

The Board is assisted by four Board committees in the review and monitoring of the above functions. The Board Committees namely BAC, Board Nomination and Remuneration Committee ("**BNRC**"), Board Risk and Investment Committee ("**BRIC**") and Board Procurement Committee ("**BPC**") work within their delegated authority and respective terms of reference approved by the Board.

II. BOARD COMPOSITION

a) Board Size and Structure

The Malakoff Board, with eight non-executive directors, is composed of equal number of independent and non-independent directors. The composition of the Board meets the MMLR of Bursa Malaysia which requires a minimum one-third of independent directors **("IDs")** (including the Chairman). The Company endeavours to increase the number of IDs to more than 50% as set out in the MCCG 2017. During the year, the Board welcomed one new member who is a Non-Independent Non-Executive Director **("NINED")**. The Board considers the current Board size to be optimal in ensuring swift decision making and at the same time, effective discharge of its duties and responsibilities.

The tenure of Malakoff's IDs has not exceeded a cumulative term of nine years since its listing in May 2015 and will only be due in May 2024. Nevertheless, the Board had adopted a policy to set the cumulative term limit of 12 years for IDs who should thereafter serve as non-IDs of the Company.

The Board takes cognizance of having a diverse range of different skills, knowledge, experience, and background and gender among its members could bring along with its effective Board deliberation and robust decision making where matters are viewed from wider and broader perspectives. Since the adoption of a diversity policy on 21 November 2016, the Board regularly reviews the current and desired skills and experience of each Director and the Board as a whole, taking into consideration the specialised and changing environment that the Company operates.

During the year, there was an increase in percentage of women Directors on the Board from 10% in 2017 to 25% in 2018 with the appointment of Cik Sharifah Sofia Syed Mokhtar Shah as NINED of the Company. Being the youngest Board member at the age of 25, she brings balance of age to the Board as majority of our Board members are in the age range of 50 and above.

b) Re-election and Re-appointment of Directors

The Company's Constitution mandates that all Directors submit themselves for re-election at least once every three years. The Company's Constitution also mandates that one-third of the Board shall retire from office every year and shall be eligible for re-election at the Annual General Meeting **("AGM")** of the Company. In this respect, the new director and two non-executive directors will be retiring at the forthcoming AGM namely Cik Sharifah Sofia Syed Mokhtar Shah, Datuk Idris Abdullah and Datuk Syed Muhamad Syed Abd Kadir. They shall retire accordingly and, being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

The performance and contribution of the Directors seeking re-election are considered and recommended by the BNRC before the names of these Directors are submitted and recommended by the Board to the shareholders for re-election into office. For the financial year in review, this was done through a Board assessment whereby Board members were required to conduct a peer assessment of other Directors in areas amongst others, his/her knowledge, skills, qualifications and contributions to Board discussions. The BNRC's recommendations on the Directors standing for re-election at the forthcoming AGM are stated in Explanatory Note 2 under the Notice of the 13th AGM.

c) Board Independence

IDs are expected to bring views and judgment to the Board deliberation and decision which are independent of Management and free of any business or other relationship that could or reasonably be perceived to materially interfere with the exercise of objective, unfettered or independent judgement, having regard to the best interest of the Company and its shareholders generally.

The Board reviews the interest declared by the Directors regularly and considers all business relationship between the Malakoff Group and the Directors or companies in which they are the directors or substantial shareholders. In each of this business relationship, the interested Directors will abstain from all deliberations and decisions on the proposal. The Board takes due consideration on any changes to the non-executive directors' interest, position, associations or relationships that could affect the non-executive directors' independence.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board conducts formal assessment on Directors' independence annually. The results of the independence assessment for IDs will be tabled at the Board for discussion. Prior to accepting any new director on Board, each new independent non-executive director **("INED")** is required to declare his/her interests and relationship to the Board through the submission of an independence assessment form, which information will form the basis for the Board's consideration of accepting the ID to the Board.

The Board has reviewed the position and relationship of all Directors in office as at the date of the 2018 annual report and considered that all four INEDs fulfilled the independence criteria as IDs and are independent.

III. BOARD MEETINGS

The Board convened nine meetings during the year, five of which are scheduled meeting and the other four are on ad hoc basis to consider urgent matters. Most of the Directors have full attendance to the Board meetings. The lowest attendance rate recorded for one director is 75%.

Details of each Director's attendance to the Board meetings held during the year are tabulated below:-

Name of Directors	No. of meetings attended
Datuk Haji Hasni Harun	9 of 9
Dato' Sri Che Khalib Mohamad Noh	9 of 9
Cindy Tan Ler Chin	8 of 9
Datuk Ooi Teik Huat	9 of 9
Datuk Dr. Syed Muhamad Syed Abdul Kadir	9 of 9
Datuk Idris Abdullah	9 of 9
Datuk Rozimi Remeli	8 of 9
Sharifah Sofia Syed Mokhtar Shah *(appointed on 23 May 2018)*	4 of 5
Kohei Hirao *(resigned on 23 May 2018)*	3 of 4
Datuk Seri Johan Abdullah *(resigned on 26 July 2018)*	5 of 6
Dato' Wan Kamaruzaman Wan Ahmad *(resigned on 31 October 2018)*	7 of 8

The Board is committed to meeting at least four times a year after the end of each financial quarter where the unaudited quarterly results will be reviewed and approved before releasing to Bursa Malaysia. Meeting dates for the whole year are scheduled in advance and circulated to the Directors before the commencement of each financial year to enable the Directors to plan in advance.

Every effort is made to ensure timely circulation of notices, agenda and meeting materials to the Board to provide sufficient time for the Directors to prepare for Board meetings and to facilitate effective Board discussion. All deliberations and decisions made at the Board meetings are recorded by the Company Secretaries where the minutes of meetings will be circulated to the Board for review before the minutes of meeting are confirmed at the next Board meeting.

IV. BNRC

The BNRC of Malakoff consists of four members with a majority being INEDs. The Chairman of the BNRC, Datuk Haji Hasni bin Harun, is an INED.

The BNRC held four meetings during the FY2018 to review the nomination and remuneration matters related to the Board and Management and make the necessary recommendations to the Board for approval. The BNRC's Chairman reports to the Board after each BNRC meeting.

The roles and responsibilities of BNRC are set out in its terms of reference which are available on the Company's website. The key activities of the BNRC during the FY2018 were summarised below:-

NOMINATING MATTERS
Board composition and succession planning
• reviewed the size and composition of the Board and Board committees as well as the Board of the subsidiaries. • made recommendation on the composition of the Board of subsidiaries and appropriate nominees to represent MCB on the boards of these companies.
Recruitment/appointment of Directors
• reviewed the background, skills, expertise, knowledge and experience of the proposed candidates for appointment on the Board (Cik Sharifah Sofia Syed Mokhtar Shah) and the BAC (Datuk Rozimi Remeli) during FY2018 as well as on the BRIC (Datuk Rozimi Remeli) which took effect from the date of this Statement. • identify and evaluated candidacy of directors and made the necessary recommendations to the Board.
Nomination of new nominee on the subsidiaries/associate companies' Board
• reviewed the background, skills, expertise, knowledge and experience of the management team proposed by the CEO to be in the pool for nominee directors for selection to the Boards of Malakoff's local and offshore subsidiaries and associates. • evaluated the candidacy of directors to the Boards of local and offshore subsidiaries and associates and made the necessary recommendations to the Board.
Directors' retiring by rotation
• reviewed the performance of the Directors retiring by rotation and recommended to the Board on the re-election of directors. • one newly appointed Director and two NEDs are subject to retirement and re-election at this AGM. • recommended the re-election of directors based on the results of the peer review assessment on their performance on the Board for FY2018.
Board evaluation
• conducted the Board evaluation exercise in respect of the effectiveness of the Board and the Board committees for FY2018. • reviewed the results of the Board evaluation and proposed appropriate action plans to improve on areas of weaknesses and increase effectiveness of the Board. • reviewed the training needs of the Directors.
Organisation restructuring
• reviewed and recommended the organisation restructuring proposed by the CEO for the Board's approval.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

REMUNERATION MATTERS
Remuneration of non-executive directors
• no recommendation from the BNRC on the revision of remuneration package for the non-executive directors.
Remuneration for the Malakoff Group
• recommended bonus pool for the Group based on the achievement of the Corporate KPIs. • recommended salary increment and bonus quantum for the Group as well as the CEO and his target group.

Non-Executive Director ("NED") Remuneration Framework

The NEDs are remunerated through fixed monthly fees or allowances, meeting allowances and benefits-in-kind, such as annual leave passage and the reimbursement of business peripherals. The level of remuneration of NEDs reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry and to also reflect the experience and level of responsibilities undertaken by the NEDs of Malakoff. 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.

Remuneration of each NED for the FY2018 is detailed below:

Directors	Directors' Fees	Board Committee Allowances	Meeting Allowances	Other Allowances [a]	Monetary Value of Benefits-in-Kind	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Datuk Haji Hasni Harun	360,000.00	36,000.00	38,000.00	25,000.00	38,945.52 [b]	497,945.52
Dato' Sri Che Khalib Mohamad Noh	90,000.00 [c]	24,000.00 [c]	38,000.00 [c]	24,889.75	-	176,889.75
Cindy Tan Ler Chin	90,000.00 [d]	24,000.00 [d]	45,500.00	25,000.00	-	184,500.00
Datuk Dr. Syed Muhamad Syed Abdul Kadir	90,000.00	96,000.00	63,000.00	4,673.40	-	253,673.40
Datuk Idris Abdullah	90,000.00	90,000.00	63,000.00	24,854.75	-	267,854.75
Datuk Ooi Teik Huat	90,000.00	30,000.00	53,000.00	25,000.00	-	198,000.00
Datuk Rozimi Remeli	90,000.00	24,435.49	49,500.00	-	-	163,935.49
Sharifah Sofia Syed Mokhtar Shah (Appointed on 23 May 2018)	54,677.00	-	12,500.00	-	-	67,177.00

Directors	Directors' Fees	Board Committee Allowances	Meeting Allowances	Other Allowances[a]	Monetary Value of Benefits-in-Kind	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Former directors (resigned during the FY2018):						
Dato' Wan Kamaruzaman Wan Ahmad (Resigned on 31 October 2018)	75,000.00	-	22,500.00	25,000.00	-	122,500.00
Kohei Hirao (resigned on 23 May 2018)	35,322.58	-	10,000.00	-	-	45,322.58
Datuk Seri Johan Abdullah (Resigned on 26 July 2018)	51,290.32	-	15,000.00	-	-	66,290.32
Zalman Ismail (Ceased as Alternate Director to Dato' Wan Kamaruzaman on 31 October 2018)	-	-	5,000.00[e]	-	-	5,000.00
Total for NED	**1,116,289.90**	**324,435.49**	**415,000.00**	**154,417.90**	**38,945.52**	**2,049,088.81**

Notes:

a. *Other allowances paid by Malakoff to the NEDs comprising annual leave passage & annual supplemental fees (included financial year 2017 ("**FY2017**") claims that were paid in FY2018)*
b. *Benefits-in-kind paid to the Chairman of Malakoff comprising company car and reimbursement of petrol and utilities expenses*
c. *Directors' fees, Board Committee allowances and meeting allowances are shared on an equal basis between MMC Corporation Berhad ("**MMC**") and the NED who is nominated by MMC.*
d. *Directors' fees and Board Committee allowances are shared on an equal basis between Employees Provident Fund Board ("**EPF**") and the NED who is nominated by EPF.*
e. *Meeting allowance was paid to the Alternate Director for his attendance at Board meetings in the absence of Dato' Wan Kamaruzaman Wan Ahmad.*

The approval of shareholders on the remuneration and benefits payable to NEDs, with no increase in rates from last year, will be sought at the 13th AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

V. BOARD EFFECTIVENESS

The Board through the BNRC had carried out a yearly Board assessment exercise to evaluate the overall effectiveness of the Board and individual Directors for FY2018. The Board had for the past 2 years engaged an external consultant to facilitate this exercise. For this year, this exercise was conducted internally by the Corporate Secretarial office.

The evaluation was carried out through the feedback obtained from each Board member who is required to complete a set of customised questionnaires, designed to evaluate the current Board composition and activities. This Board assessment covers the evaluation of the Board effectiveness in terms of its structure, Board operation and interaction, Board communication and its roles and responsibilities as well as a combination of self and peer assessment. The Board's responses and feedback to the questionnaires will be collated and thereafter analysed for formulation of action plans with a view to improve on areas identified by the Board to require more focus and have room for improvement. The BNRC, upon discussion of the results of the assessment, had presented the findings to the Board.

VI. DIRECTORS' TRAINING

The Board is mindful of the importance of continuous education for its members to update their knowledge and enhance their skills so that they are sufficiently equipped to perform their duties and can address and meet the challenges faced by the Company and the Board.

During the year, the Board members attended an in-house training organised by MMC Corporation Berhad in respect of "Understanding Blockchain Technology and Its Potential". In addition, the Company Secretary circulates, on a period basis, regular updates on training programmes from various organisations to the Directors for their consideration for participation.

All Directors (during the financial year ended 31 December 2018) had attended at least one training session, in compliance with paragraph 15.08(2) and Appendix 9C (Part A, paragraph 28) of the MMLR of Bursa Malaysia. Details of the trainings attended by Board members are as follows:-

NAME OF DIRECTOR	CONFERENCE/TRAINING PROGRAMME ATTENDED	DATE
Datuk Haji Hasni Harun (Chairman)	• Malaysian Institute of Accountants ("MIA") International Accountants Conference 2018 • Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Remuneration Committee: Attracting and Retaining the Best Talents	9 – 10 October 2018 18 October 2018 18 October 2018 13 November 2018

VI. DIRECTORS' TRAINING (CONTINUED)

NAME OF DIRECTOR	CONFERENCE/TRAINING PROGRAMME ATTENDED	DATE
Dato' Sri Che Khalib Mohamad Noh	• Invest Malaysia 2018 - Connecting Strengths, Advancing Performance • Talk by YBhg. Tan Sri Datuk Muhammad Ibrahim, Governor Bank Negara Malaysia @ 40th Harvard Business School Alumni Club of Malaysia Anniversary Dinner • Dialogue & Luncheon Session with Malaysian Captains of Industry & Business Forum with the China Entrepreneur Club in Beijing, China • Khazanah Megatrends Forum 2018 - On Balance: Recalibrating Markets, Firms, Society and People • MIA International Accountants Conference 2018 • Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio • Risk Culture Awareness Program	23 January 2018 9 February 2018 19 August 2018 8 October 2018 9 – 10 October 2018 18 October 2018 18 October 2018 29 October 2018 3 December 2018
Cindy Tan Ler Chin	• Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	18 October 2018 18 October 2018 29 October 2018
Datuk Ooi Teik Huat	• Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	18 October 2018 18 October 2018 29 October 2018
Datuk Idris Abdullah	• FinTech and the Transformation in Financial Services (an online non-credit course authorized by Copenhagen Business School and offered through Coursera) • Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Qualified Risk Director Program: Cybersecurity Oversight in the Boardroom • Executive Lecture Series by LSE Alumni Society of Malaysia-10 Years After the Global Financial Crisis: Lessons Learnt....or Forgotten?	5 September 2018 18 October 2018 18 October 2018 22 October 2018 12 November 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

VI. DIRECTORS' TRAINING (CONTINUED)

NAME OF DIRECTOR	CONFERENCE/TRAINING PROGRAMME ATTENDED	DATE
Datuk Dr. Syed Muhamad Syed Abdul Kadir	• Speaker for Leadership Talk in Universiti Malaya • Overview of Sustainability Reporting • Forum on Blockchain in Financial Services Industry • Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	9 February 2018 25 June 2018 17 July 2018 18 October 2018 18 October 2018 29 October 2018
Datuk Rozimi Remeli	• Advocacy Programme on CG Assessment organized by Bursa Malaysia • Energy Sector Outlook – presentation by RHB Research Institute • Energy Transition: Trends and Opportunities - presentation by A.T. Kearney • Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	10 August 2018 18 October 2018 18 October 2018 29 October 2018
Sharifah Sofia Syed Mokhtar Shah	• Enhancing Board Leadership • Corporate Liability Provision organised by MIA • Mandatory Accreditation Programme • Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	16 - 17 April 2018 19 July 2018 23 - 24 July 2018 29 October 2018

Induction Programme

A comprehensive induction programme has been developed to ease new Directors into their new roles and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the induction programme as soon as possible after they are appointed. The induction programme includes the briefing by each division heads of key aspects of their respective sections and the challenges currently faced by the Group. As part of the itinerary of induction programme, the new Directors are invited to the Group's power plants to enable them to familiarise themselves with the operations of the Group.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

I. BAC

The Board placed great emphasis on the effectiveness and independence of the BAC to provide 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 may stem from the Group's operation in the highly regulated industry.

All of the members of the BAC are NEDs and three out of four of them are IDs. The BAC is chaired by Datuk Dr. Syed Muhamad Syed Abdul Kadir, an INED and not the Chairman of the Board. One of the BAC members is a member of the Malaysian Institute of Accountants thus fulfilling the requirement under paragraph 15.09(1)(c)(i) of the MMLR of Bursa Malaysia. Nevertheless, each of the BAC member is financially literate in accordance with the definition suggested by the Corporate Governance Guide 3rd Edition 2017 ("**CG Guide**").

Under the CG Guide, continuous development programmes have been recommended for BAC members in relation to 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 have attended trainings for their continuous professional development to keep themselves abreast of the relevant development in the industry which covered topics on cyber-security, energy transition, capital market and Islamic financing.

a) Assessment of External Auditors

The BAC performs an annually assessment of the services rendered by the External Auditors ("**EA**") and had during the year assessed the quality of audit encompassing the performance of KPMG, the quality processes/ performance of the engagement team, audit team independence, objectivity and professional scepticism, audit scope and planning, audit fees, audit communication and interaction. Assessment questionnaires were used as a tool to obtain input from each BAC member 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, 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 (including 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 FY2018 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.

Details on the BAC are also elaborated in the BAC Report on pages 110 to 114 of this Annual Report.

b) 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 organization. The internal audit function is considered an integral part of the assurance framework and GIA's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. At the same time, GIA also 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.

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 activities and functions that it audits and performs its duties in accordance with the Internal Audit Charter, as approved by the BAC, which establishes the framework for the effective and efficient functioning of GIA. The BAC also reviews and approves the appointment and removal of the Chief Internal Auditor, the Annual Internal Audit Plan, budget and organization 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 issued by the Institute of Internal Auditors. As at 31 December 2018, the total number of personnel in GIA was nine including the Chief Internal Auditor. The name, credential and work experience of the Chief Internal Auditor of GIA are disclosed on page 28 of this Annual Report.

Details of the internal audit function and activities are presented in the BAC Report on pages 113 to 114 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

a) BRIC

With the appointment of a new member on 8 March 2019, the BRIC comprises four NEDs with a majority of IDs and chaired by an INED. The BRIC assists the Board to 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.

Since the end of November 2016, the BRIC was delegated with additional responsibility to review and recommend investment proposals by the Management. Under this purview, the Board had given authority to the BRIC to review and recommend the Group's major investments which includes 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 investment returns of such investment in accordance to the Group's Investment Guideline and Policy.

b) Risk Management and Internal Control Framework

The Board takes cognisance of its responsibilities in maintaining a sound risk management and internal control system. The Enterprise Risk Management Policy & Framework ("**ERMPF**") ensures a structured risk management process is adopted across the Group. The ERMPF incorporates process relating to the identification, analysis, evaluation, treatment, monitoring, review, communication and consultation of the Group's risks and controls.

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 adverse impact on the Group's objectives are 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 102 to 108 of this Annual Report.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

I. COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS OR INVESTORS

The Board always upholds the principle of providing timely and accurate information to its shareholders, investors and public at large for them to make an informed investment decision. It encourages continuous disclosure and communication of information to its stakeholders and facilitates information exchange platforms to support effective engagement of stakeholders by the Company.

In order to keep the Company's shareholder and stakeholders informed of the Group's development and performance, the Company provides the following mediums of communication between the Company and its shareholders or investors:

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

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.

Other than the above, Malakoff's website also serves as an important channel of communication to provide the shareholders, stakeholders and investors at large with a wide range of information about the Company and its activities including corporate information, company policies & procedures, history, strategies, important operational updates, media releases, investor presentations, shareholdings, quarterly and full year financial results, outcome of general meetings and sustainability practices. The information posted on the Company's website is regularly updated to ensure stakeholders and interested investors have access to the latest information of the Company.

The Board also believes that annual report is important to the shareholders and the market at large as it provides a comprehensive overview of the Company's financial performance, business activities, strategies, corporate social responsibility and other key activities. An electronic/digital form of the 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. The shareholders of the Company will be provided with a hard copy of the annual report, upon request. This will also prepare the shareholders with sufficient information to deliberate and approve the proposed resolutions tabled at the annual general meeting.

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 operations, corporate developments, growth strategies and, particularly, on the financial performance of the Company after the announcement of the quarterly results of the Group.

As part of the Company's efforts to continue promoting effective engagement with shareholders or the public at large, the Company has made available the relevant information for investors on the Company's corporate website at www.malakoff.com.my under the Investor Relations section as well as for any investor-related enquiries to be posted to the Head of Investor Relations.

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

Integrated reporting based on a globally recognised framework

The Company recognises that companies 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 its sustainability reporting, the Company is still 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 continue to review and improve on various reporting documents within the Company.

II. GENERAL MEETINGS

a) Shareholders participation at general meetings

General meeting serves as a principal platform for direct two-way interaction between the Board/Senior Management and the shareholders which encourages effective shareholder communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Since the 12th AGM of Malakoff, the Company Secretaries, by order of the Board, have practiced to serving a notice of AGM to all shareholders of the Company at least 28 days prior to the AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the AGM. Notice of the 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 in 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 the meeting proceeded with the voting of the resolutions. Shareholders are encouraged to ask questions and make comment 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.

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 questions and answers 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 chair of each Board committee, to facilitate the conversations with shareholders and to direct the questions and concerns raised by the shareholders. The external auditors are invited to the AGM to highlight key audit matters for the attention of the shareholders, response to shareholders' queries on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company and the independent audit review of the Company's financial position.

The facility for voting in absentia is not available as the Board considers the venue of the AGM is 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

Since the enforcement of paragraph 8.29A of the MMLR of Bursa Malaysia on 1 July 2016, all resolutions set out in the notice of general meeting have put to vote by way of polling at the general meeting. This could be seen at the last AGMs and EGMs held during the past two years where electronic voting via handheld device and polling station were used for voting of resolutions at the Company's AGMs and EGMs. 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 will be announced by the Chairman at the general meeting and released via Bursa Link to the public at large thereafter. A copy of the said announcement will also be uploaded to the Company's website after the general meeting.

III. CONSTITUTION OF THE COMPANY

The Company's Constitution defines the essential components of the structure of the Company and reins the relationship between the Company and its shareholders/stakeholders. It regulates the manner in which a company is governed.

With the introduction of the new Act on 31 January 2017, the Board is mindful of the changes of the new Act that would have to be reflected or updated in the Company's existing Constitution. The Board has reviewed the new Constitution for Malakoff and will seek the approval of the shareholders at the 13th AGM to adopt the new Company's Constitution pursuant to the new provisions of the Act.

D. KEY FOCUS AREAS AND FUTURE PRIORITIES

With the Company embarking into a new synergistic business in 2018, the Board will continue to refine its corporate governance practices and procedures throughout the whole Group to ensure all the existing and new businesses of the Group are operated in an orderly manner and in the best interest of all stakeholders of Malakoff.

To further enhance the Group's capability to compete in this challenging business environment, the Board will also prioritise its succession plan to establish a bigger pool of talents from which the new candidates will be assessed and identified to take on the senior positions in the Group.

CORPORATE GOVERNANCE REPORT

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 Act and the applicable approved accounting standards for each financial year which gives a true and fair view of the state of affairs of the Group and the Company in a transparent manner at the end of the financial year and of the results and cash flows for the financial year.

The Directors' Report for the audited financial statements of the Company and the Group is outlined on pages 118 to 122 of this Annual Report together with the details of the Company and the Group financial statements for the financial year ended 31 December 2018 which are set out on page 123 to 236 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 paragraph 15.25 and 15.08A of the MMLR of Bursa Malaysia.

Having reviewed and deliberated this statement, the Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and 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 be implemented where possible and where relevant to the Group's business.

This statement has been presented and approved by the Board at its meeting held on 8 March 2019.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") of Malakoff Corporation Berhad is committed to embed an effective risk management and internal control system into Malakoff Corporation Berhad and its subsidiaries ("the Group"). 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") and the revised guidelines on the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers. This is also 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.

BOARD'S RESPONSIBILITY

The Board is responsible in the overall tone and culture towards an effective risk management and internal control system in the Group. The Board is also responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal controls processes. The Group's risk management processes are designed such that all key risk areas are effectively managed to enable the Group to achieve its business objectives. 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.

RISK MANAGEMENT

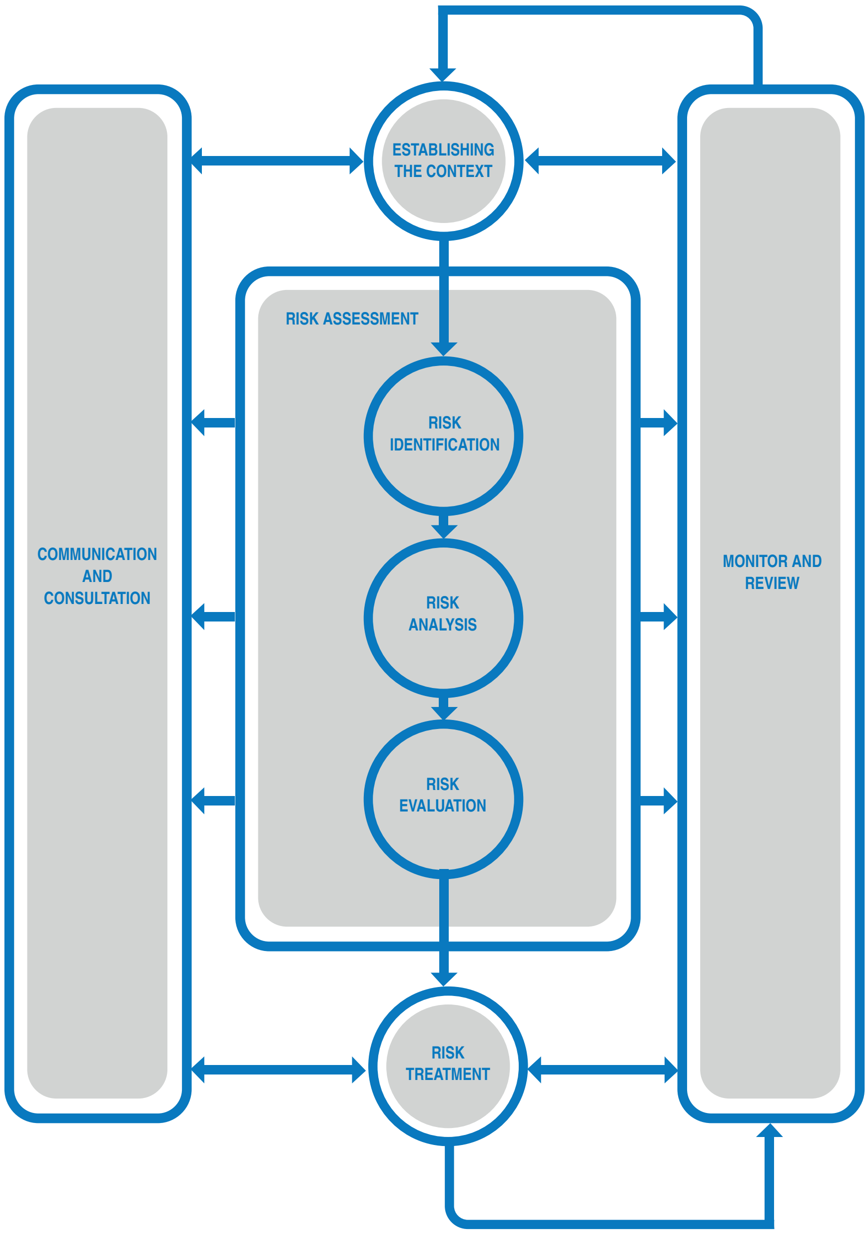
The Group acknowledges that risk management is fundamental in providing sound corporate governance practice. A holistic approach of risk management strengthens the overall internal control, decision making and the resource allocation processes within the Group. Risk management enables proactive and structured risk identification and evaluation process, and where required, management actions will be identified to mitigate the risk to enable the Group to achieve its business objectives.

Risk Management Framework

The Board is committed in the assessment, treatment, monitoring and review of all key risks to ensure sustainable growth of the Group. The Board's commitment toward this is reflected in the establishment of the Board Risk and Investment Committee ("BRIC") in 2016 which acknowledged the growing importance of the risk management in safeguarding the interest of the Group and its shareholders.

The Management Risk Committee ("MRC") continuously supports the BRIC in integrating risk management strategies, risk appetite as well as reviewing the application of risk management practices across Malakoff Corporation Berhad, in accordance with the Group's 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").

The ERMPF incorporates process relating to the identification, analysis, evaluation, treatment, monitoring, review, communication and consultation of the Group's risks and controls. The main elements of the Group's risk management process are as follows:



Source: MS ISO 31000:2010 Risk Management - Principles and Guidelines

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Communication and consultation: Communication and consultation with stakeholders should take place during all stages of the risk management process.

Establishing the context: The Group articulates its objectives and defines the parameters to be considered when managing risk as well as the scope and criteria.

Risk assessment: The overall process of risk identification, risk analysis and risk evaluation.

Risk treatment: The process of selecting and implementing measures to modify the risk. The measures include terminate, reduce, accept, pass and spread the risk.

Monitoring and review: Monitoring and review are essential part of the risk management process which provide reasonable assurance that risks are being managed effectively.

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.

IMPACT / LIKELIHOOD	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain					
Likely					
Possible					
Unlikely					
Rare					

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 to 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.

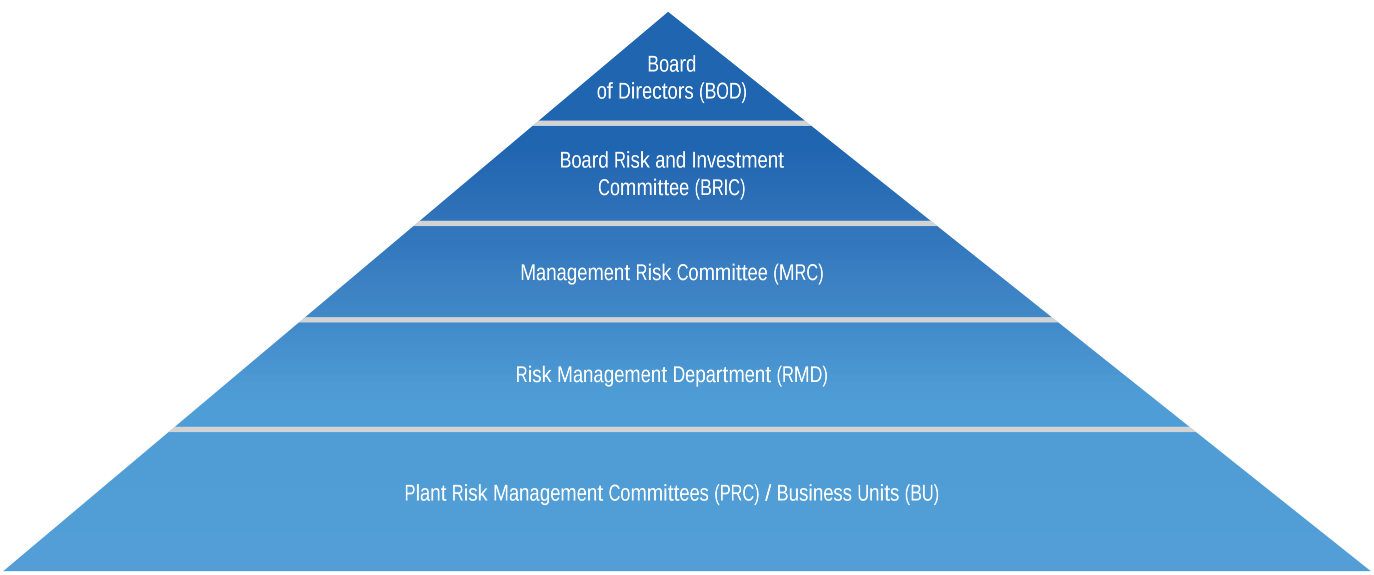
In relation to the Risk Management process, the owners also certify that:

- 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.

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:



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

INTERNAL CONTROL SYSTEM

The key features of the Group control structure that provide reasonable assurance against the occurrence of events 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 condition.

Limit of Authority

The Limit of Authority sets out the level of authority under key business areas (financial and non-financial) of the Group. The authorisation limits in respect of organisational requirements such as procuring goods and services, cash transactions and contracting are clearly defined and documented. The limits are reviewed and updated regularly to reflect the current business environment, operational and structural changes of the Group.

Internal Audit

The Group Internal Audit ("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 Group's governance, operations and information system.

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

Details of the internal audit function and activities are presented in the BAC Report on pages 113 to 114 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 criminal offences, fraud, corruption, breach of Group policies and Code of Conduct or other 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 BAC 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 BAC and the Board.

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 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.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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 Audit and Assurance Practice Guide ("AAPG 3"), 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 2018, 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.

AAPG 3 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 2019.

Strengthening Fundamentals

While the Group embarks on growth initiatives, strengthening the fundamentals of our business and operations is key to ensuring our long-term sustainability.

BOARD AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Malakoff Corporation Berhad ("MCB" or "Company") is pleased to present the Board Audit Committee ("BAC" or "Committee") Report which provides an overview on how the BAC discharged its functions and duties during the financial year ("FY") 2018.

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)*
Datuk Rozimi Remeli *Independent Non-Executive Director* *Member*

COMPOSITION AND ATTENDANCE

The BAC comprises four (4) members, all of whom are Non-Executive Directors ("NEDs"); three (3) being 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").

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 the Company and its subsidiaries (collectively "Group") uphold appropriate Corporate Governance standards.

MEETINGS

The BAC met six (6) times during the FY2018 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 out of 6
Datuk Idris Abdullah	6 out of 6
Datuk Ooi Teik Huat	6 out of 6
Datuk Rozimi Remeli	*4 out of 4

* *Datuk Rozimi Remeli was appointed on 8 March 2018.*

The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Internal Auditor were invited to attend all BAC meetings. The involvement of senior management in the BAC meetings enabled direct communication and discussion between the BAC members and senior management so that matters pertaining to the Group's financial results, operational issues, internal control, governance and internal audit matters are better appreciated by the BAC.

The External Auditors were engaged to conduct a limited review of the Group's quarterly financial statements and these limited reviews provided assurance to the BAC on the reliability and consistency of the Group's quarterly financial statements as well as compliance with applicable Financial Reporting Standards. Representatives of the External Auditors were also invited to attend the BAC meetings, whenever the BAC considered appropriate.

The Company Secretaries act as the Secretary of the BAC. Minutes of each BAC meeting were tabled at the next BAC meeting for confirmation and then circulated to the Board for information and notation. The Chairman of the BAC would also report any key matters discussed at each BAC meeting to the Board.

SUMMARY OF WORK

Summary of work performed by the BAC during the FY2018 comprised the following:

(i) Financial Reporting

The BAC reviewed all the quarterly financial statements of the Group for the FY2018 with Management before making recommendation to the Board for its consideration and approval to release the same to Bursa Malaysia.

The BAC also reviewed the consolidated annual audited financial statements of the Group for the FY2018, any audit issues and reservations arising from the statutory audit with the External Auditors, prior to making recommendation to the Board for its consideration and approval.

The quarterly financial statements were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and Appendix 9B of the MMLR of Bursa Malaysia while the consolidated annual audited financial statements were prepared in accordance with MFRS, International Financial Reporting Standards and the requirements under the Companies Act 2016.

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

a) discussed and reviewed with Management and External Auditors, the accounting policies adopted by the Group to ensure compliance with the applicable approved accounting standards, including the appropriateness of the accounting provisions and compliance with accounting standards;

b) reviewed the declaration of the final and interim dividends of the Company including the solvency test required under the Companies Act 2016, ensuring that the Company will remain solvent for the next 12 months immediately after the dividend distributions were made, before such declaration of dividends were recommended to the Board for approval;

c) reviewed the key audit matters and their implications to the Group; and how these matters were addressed from the audit, going concern considerations and the Auditors' Report that were included in the Company's Annual Report; and

d) discussed, on quarterly basis, any corrected material misstatements in the accounts and reviewed the summary of the unadjusted audit differences for the Group.

(ii) External Audit

At each quarterly meeting of the BAC for the FY2018, the following were reviewed and discussed with the BAC by the External Auditors, Messrs. KPMG PLT ("KPMG"):

a) reviewed the quarterly reports on new and recurring significant audit findings arising from the limited review including financial reporting issues, significant judgements made by Management and unusual events or transactions. Also included in the report, were Management's responses to the audit findings and their action plans to address the issues raised by the External Auditors, for BAC's notation and feedback, where necessary;

b) reviewed and monitored, on a quarterly basis, the nature, scope and fees of the non-audit services provided by the External Auditors and ensured that such non-audit services to the Group were undertaken in accordance with the policy on non-audit services as approved by the Board. This will ensure that the independence and objectivity of KPMG in performing its duties as the Group's External Auditors are safeguarded and any potential conflict of interest is being managed;

(c) reviewed the External Auditors' 2018 Audit Plan prior to the commencement of the statutory audit for FY2018. KPMG had briefed the BAC in respect of its 2018 Audit Plan highlighting amongst other, the engagement team involved in the statutory audit review, audit timeline, areas of audit emphasis and focus of key audit matters for the statutory audit. The potential key audit matters identified for the Group were in respect of the Group's recognition of goodwill and intangible assets, potential impairment of the power plants, recoverability of investment in associates and other significant risk matters;

(d) discussed the proposed fees for the statutory audit which were duly approved by the Board upon the recommendation by the BAC;

(e) discussed and reviewed the results of the annual assessment evaluated by the BAC and Management in respect of the quality of audit, covering the External Auditor's performance, suitability and its independence as the Company's External Auditor during the statutory audit for FY2018. The rating of the External Auditors for the FY2018 was an improved average rating of their performance compared to the last FY. The BAC had therefore endorsed the recommendation for the re-appointment of KPMG as the External Auditors of the Company for the FY ending 31 December 2019. The Board at its meeting held on 8 March 2019 approved the BAC's recommendation to re-appoint KPMG, subject to the shareholders' approval being obtained at the forthcoming Thirteenth AGM on the re-appointment of KPMG, the External Auditors of the Company for the FY ending 31 December 2019; and

(f) held two private meetings with the External Auditors in February and November 2018, without the presence of the Management. The meetings provided an open and unrestricted forum for the External Auditors to discuss with the BAC the conduct of their audit, issues and findings related to the Group's quarterly financial statements for the attention of the BAC.

BOARD AUDIT COMMITTEE REPORT

The total fees incurred for non-audit services provided by KPMG for FY2018 amounted to RM1,183,903 which was above 50% of the previous year's statutory audit fees, and mainly comprise the following:

1. RM833,903 being fees incurred for services in respect of tax compliance and other advisory services for local and foreign subsidiaries; and
2. RM350,000 being fees incurred in relation to the acquisition of Alam Flora Sdn Bhd as KPMG was engaged as the reporting accountant and KPMG Deal Advisory Sdn Bhd was engaged to perform the financial and tax due diligence respectively.

The engagement of KPMG and KPMG Deal Advisory Sdn Bhd is in line with Clause 3 of the non-audit services policy of the Company which was approved by the Board where within certain parameters, the External Auditors may be requested to perform certain non-audit services for the Group due to business knowledge, confidentiality and cost considerations.

KPMG also, pursuant to the Company's policy on non-audit services, had undertaken the necessary measures to ensure that each non-audit service engagement would not result in conflict of interest nor impair the independence and objectivity of the External Auditors. Management had also ensured that necessary safeguards were in place when engaging KPMG to carry out non-audit services for the Group. With the above, the BAC is satisfied that the non-audit services provided during the FY followed the applicable rules and standards of independence for auditors, as well as the provisions stipulated in the non-audit services policy.

KPMG had provided a written assurance to the BAC that it had acted in accordance with the terms of all relevant professional and regulatory requirements and had been independent throughout the audit engagement for FY2018.

(iii) Internal Audit ("IA")

During the FY2018, the BAC had carried out the following:

a) reviewed and approved the Annual IA Plan for FY2019 to ensure adequacy of audit scope, coverage, budget, resources and authority for Group Internal Audit ("GIA") to carry out its work effectively and independently;

b) reviewed and deliberated on the IA reports tabled during the year by GIA which highlighted key control issues together with root causes, risks, audit recommendations for improvement and Management's action plans to address the control deficiencies;

c) reviewed and deliberated on the follow-up audit reports tabled during the year by GIA on the adequacy and effectiveness of the action plans or corrective actions undertaken by Management in addressing audit issues or control deficiencies highlighted from prior year audit reports to ensure non-recurrence;

d) reviewed and deliberated on the results from ad-hoc special review assignments or audit investigations performed based on Management's request or complaints received through whistle-blowing channels and recommended appropriate remedial actions/measures to be taken;

e) reviewed and monitored the progress and status of action plans or corrective actions undertaken by Management to ensure audit issues or control deficiencies highlighted by GIA are being addressed and rectified in a timely manner;

f) reviewed and approved the update and revision of the Company's IA Charter to ensure that it remains current and aligned with the International Professional Practices Framework and latest International Standards for the Professional Practice of Internal Auditing. The updated IA Charter served to further enhance and improve the effective and efficient functioning of GIA within the organization, ensure compliance to the latest Standards and provide more clarity on key areas of the Charter;

g) reviewed the effectiveness of the IA function and assessed the performance of GIA for FY2018 in respect of audit quality, scope, adequacy of resources and competency; and

h) held private sessions with the Chief Internal Auditor in February and November 2018 without the presence of Management to ensure that there were no restrictions on GIA's scope of work and to discuss any other matters that GIA wishes to escalate to the BAC.

In February 2019, the BAC also reviewed and approved the Quality Assurance and Improvement Program for GIA which is designed to evaluate GIA's conformance with the International Standards for the Professional Practice of Internal Auditing; whether the internal auditors apply the Code of Ethics by the Institute of Internal Auditors; and assess the efficiency and effectiveness of the IA function of the organization and identifies opportunities for improvement.

(iv) Related Party Transactions ("RPTs")

The BAC had reviewed three (3) RPTs entered into with the Company's related parties in accordance with the RPT policy and procedure of the Company to ensure:

a) compliance with the relevant provisions under the MMLR;

b) the terms and conditions of the RPTs were based on arms' length and normal commercial terms, not detrimental to the interest of the minority shareholders and no more favorable to the related party than those generally available to the public; and

c) the RPTs were transacted in the best interest of the Company and the Group.

The Group's RPTs and recurrent related party transactions ("RRPTs") for the preceding 12 months up to each reporting quarter as well as the forecasted RPTs and RRPTs for the next 12 month period from the quarterly reporting period were also reported to the BAC and the Board on a quarterly basis. The reporting of these transactions by the Group was coordinated through the Corporate Secretarial Department with all the respective subsidiaries, departments and business units within the Group, before the same were collated and presented to the BAC and the Board. The subsidiaries, departments and business units within the Group were guided by the principles set out in the RPT and RRPT policy and procedure of the Company when dealing with RPTs. The threshold limit of the RPTs and RRPTs was also monitored accordingly to ensure compliance with the MMLR.

The GIA also assists the BAC by conducting an annual review of the Group's RPTs and RRPTs to provide assurance that the transactions reported to the BAC were accurate, complete, in compliance with the MMLR and undertaken on arm's length basis and normal commercial terms.

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 within the organization.

The IA function is considered an integral part of the assurance framework and GIA's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. 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 to be taken by the Company.

The purpose, authority, responsibility, independence and objectivity of GIA are formally defined 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 ("IIA").

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 organization structure of GIA to ensure that it is adequately resourced with competent staff to perform its role and function effectively and independently.

Among the roles and responsibilities of GIA are as follows:

(a) provide an independent and objective evaluation and assurance to the BAC and Management on the adequacy, effectiveness and integrity of key internal control systems and risk exposures of the Group's governance, operations and information systems;

(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, criticality, 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, root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans;

BOARD AUDIT COMMITTEE REPORT

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

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

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

(g) develop and implement a Quality Assurance and Improvement Program to evaluate GIA's conformance with the International Standards for the Professional Practice of Internal Auditing; whether the internal auditors apply the Code of Ethics by the IIA; and assess the efficiency and effectiveness of the IA activity of the organization and identifies opportunities for improvement; and

(h) 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 improper conduct such as criminal offences, fraud, corruption, breach of policies and procedures or other 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 FY2018, 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 and six (6) follow-up audits covering the areas of power plant operation and maintenance, inventory and warehouse management, procurement, finance, project management and health, safety, security and environment. In addition, GIA had also carried out an additional six (6) special review assignments including investigations. The Company's major shareholder i.e. MMC Corporation Berhad, through its Group IA also supported GIA by performing one (1) full audit and one (1) special review assignment in the area of human resource.

The IA reports were tabled and presented to the BAC for deliberation, highlighting key control issues together with root causes, risks, 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 on a quarterly basis.

The Company's IA Charter was also updated and revised in November 2018 to ensure that it remains current and aligned with the International Professional Practices Framework and latest International Standards for the Professional Practice of Internal Auditing ("Standards"). The updated IA Charter serves to further enhance and improve the effective and efficient functioning of GIA within the organization, ensure compliance with the latest Standards and provide more clarity on key areas of the IA Charter.

As at 31 December 2018, 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 are disclosed on page 28 of the 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 equipping its auditors with adequate knowledge and proficiencies to discharge their duties and responsibilities effectively. The Company is also a corporate member of the Institute of Internal Auditors Malaysia which enables the internal auditors in GIA to keep abreast of latest developments in the IA practices and regulations as well as to attend the relevant trainings organized by the Institute of Internal Auditors Malaysia. The total cost incurred by GIA for FY2018 was RM2.3 million.

This BAC Report is made in accordance with the resolution of the Board duly passed on 8 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

UTILISATION OF PROCEEDS

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

SUBSIDIARY	DEBT RAISED	UTILISATION OF PROCEEDS
Wind Macarthur Finco Pty Limited	Term loan facility of AUD502 million ("AUD term loan 2")	All the proceeds raised from the AUD term loan had been utilised to refinance the financial indebtedness outstanding under the existing facility and payment of all fees, costs and related expenses incurred by the transaction parties in connection with the finance documents.

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 the Company for the financial year ended 31 December 2018 are as follows:

	Group 2018 RM'000	Company 2018 RM'000
Audit fees	1,687	624
Non-audit fees*	1,184	463
	2,871	1,087

* 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 CONTRACTS

i) Tuah Utama Sdn Bhd ("TUSB"), a wholly-owned subsidiary of the Company, had on 24 August 2018 entered into the Shares Sale Agreement ("SSA") with Pelabuhan Lumut Sdn Bhd ("PLSB") for the disposal of its 20% equity interest in Lekir Bulk Terminal Sdn Bhd ("LBTSB") to PLSB, comprising 13,600,000 ordinary shares in LBTSB to PLSB for a total cash consideration of RM90,000,000.00 only ("Purchase Price"). The said disposal was completed on 5 September 2018 ("Completion Date") in accordance with the terms and conditions of the SSA, whereby TUSB had received the payment of the Purchase Price in full and delivered all the completion documents to PLSB. Following the completion of the disposal, LBTSB had ceased to be an associate company of the Company on the Completion Date.

ii) Tunas Pancar Sdn Bhd ("TPSB"), a wholly-owned subsidiary of the Company, had on 1 August 2018 entered into a conditional Share Sale Agreement ("SSA") with HICOM Holdings Berhad, a wholly-owned subsidiary of DRB-HICOM Berhad, in relation to the proposed acquisition by TPSB of 74,000,000 ordinary shares in Alam Flora Sdn Bhd ("Alam Flora"), representing 97.37% equity interest in Alam Flora, from HICOM Holdings Berhad for a total cash consideration of RM944,610,000, subject to the terms and conditions as contained in the SSA. On 31 January 2019, the parties had mutually agreed to extend the Cut-Off Date to fulfil the conditions precedent of the SSA for a further period of six months until 31 July 2019. Save for the said extension, all other terms of the SSA remain unchanged.

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STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	274,433	105,852
Non-controlling interests	49,047	-
	323,480	105,852

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 3.70 sen per ordinary share totalling to RM182,695,000 in respect of the financial year ended 31 December 2017 on 1 June 2018.

ii) an interim single-tier dividend of 2.10 sen per ordinary share totalling to RM103,225,000 in respect of the financial year ended 31 December 2018 on 11 October 2018.

In respect of the financial year ended 31 December 2018, the Directors have recommended the payment of a final single-tier dividend of 3.50 sen per ordinary share which is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM") of the Company.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018 (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)	
Dato' Sri Che Khalib bin Mohamad Noh	
Tan Ler Chin	
Datuk Ooi Teik Huat	
Datuk Idris bin Abdullah	
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	
Datuk Rozimi bin Remeli	
Sharifah Sofia binti Syed Mokhtar Shah	(Appointed on 23 May 2018)
Dato' Wan Kamaruzaman bin Wan Ahmad	(Resigned on 31 October 2018)
Datuk Seri Johan bin Abdullah	(Resigned on 26 July 2018)
Kohei Hirao	(Resigned on 23 May 2018)
Zalman bin Ismail (alternate Director to Dato' Wan Kamaruzaman bin Wan Ahmad)	(Resigned on 31 October 2018)

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	
Habib bin Husin	
Ruswati binti Othman	
Mohd Shokri bin Daud	
Azhari bin Sulaiman	
Datuk Hj. Mohammad Kamal bin Yan Yahaya	
Mazley bin Mahazir	
Yap Leng Khim	
Nazmi bin Othman	
Norazni binti Mohd Isa	
Harun bin Halim Rasip	
Blair Andrew Lucas	
David Jeremy Barlow	
Rajendran Nagulusamy	
Hamid Hamraoui	(Appointed on 8 May 2018)
Mohd Nazersham bin Mansor	(Appointed on 8 June 2018)
Ahmad Mukhlas bin Ibrahim	(Appointed on 8 June 2018)
Hairol Azizi bin Tajudin	(Appointed on 28 November 2018)
Tan Sri Datuk Seri Mohd Hussin bin Abdul Hamid	(Appointed on 28 November 2018)
Datuk Khairuddin bin Mohd Hussin	(Appointed on 28 November 2018)
Mohd Syahrul Izwan bin Ismail	(Appointed on 10 December 2018)
Azidi bin Abdullah	(Appointed on 31 December 2018)
Mohammed Azmil bin Ismail	(Appointed on 25 January 2019)
Mohd Helmy bin Ibrahim	(Appointed on 25 January 2019)
Rosli bin Abd Hamid	(Resigned on 16 January 2019)
Kum Mun Lock	(Resigned on 10 May 2018)
Razman bin Abdul Rashid	(Resigned on 8 March 2018)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018 (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 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
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	392,100	-	(220,000)	172,100
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	150,000	-	-	150,000

None of the other Directors holding office at 31 December 2018 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 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 1.1.2018/ appointment date	**Bought**	**Sold**	**At 31.12.2018**
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
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
Rosli bin Abd Hamid	308,000	-	-	308,000
Mohd Nazersham bin Mansor	16,000	-	-	16,000
Hairol Azizi bin Tajudin	50,000	-	(50,000)	-

None of the other Directors of the subsidiaries holding office at 31 December 2018 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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.

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 of the Company or any other body corporate.

ISSUE OF SHARES

At the Twelfth AGM of the Company held on 26 April 2018, the Company had obtained approval for the renewal of authority for the Company to purchase of up to ten percent (10%) of the total number of the Company's issued share capital. Pursuant to the approval, the Company had during the financial year, repurchased a total of 109,954,600 ordinary shares from the open market for a total consideration of RM95,964,523 at an average cost of RM0.87 per share. The repurchase transactions were financed by internally generated funds. 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 2018, the total number of treasury shares held is 2.24% of the total number of issued share capital of the Company.

Notwithstanding the above, 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 Group 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 2018 (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 for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 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 EVENTS

Significant events during the year are 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

8 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 Restated	Group 1.1.2017 RM'000 Restated	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
Non-current assets						
Property, plant and equipment	3	13,443,183	13,976,303	14,604,469	33,171	35,589
Intangible assets	4	3,074,174	3,346,176	3,721,431	-	-
Prepaid lease payments	5	59,094	63,715	68,336	-	-
Investments in subsidiaries	6	-	-	-	7,731,002	7,710,649
Investments in associates	7	1,529,720	1,532,908	1,461,458	749,753	1,073,597
Investment in a joint venture	8	-	-	-	-	-
Other investments	14	16,248	-	-	16,248	-
Finance lease receivable	9	2,018,982	2,208,203	2,264,999	-	-
Derivative financial assets	10	412,576	417,283	670,796	-	-
Trade and other receivables	11	71,144	81,540	91,902	-	-
Deferred tax assets	12	143,363	139,487	69,568	1,021	-
Total non-current assets		20,768,484	21,765,615	22,952,959	8,531,195	8,819,835
Current assets						
Trade and other receivables	11	2,213,285	2,118,834	2,046,557	1,364,571	1,721,859
Inventories	13	760,804	858,774	662,273	-	-
Current tax assets		127,768	139,275	176,592	7,398	-
Finance lease receivable	9	14,103	-	-	-	-
Other investments	14	3,582,478	2,641,829	1,403,801	30,000	-
Cash and cash equivalents	15	1,515,147	2,355,529	3,006,802	360,432	388,809
Total current assets		8,213,585	8,114,241	7,296,025	1,762,401	2,110,668
Total assets		28,982,069	29,879,856	30,248,984	10,293,596	10,930,503
Equity						
Share capital	16	5,693,055	5,693,055	500,000	5,693,055	5,693,055
Share premium		-	-	5,192,215	-	-
Treasury shares	16	(97,606)	(1,641)	-	(97,606)	(1,641)
Reserves	16	131,744	180,543	189,277	-	-
(Accumulated losses)/Retained profits		(82,425)	(19,007)	19,668	3,027,611	3,274,689
Equity attributable to owners of the Company		5,644,768	5,852,950	5,901,160	8,623,060	8,966,103
Perpetual sukuk	17	800,000	800,000	-	-	-
Non-controlling interests		219,686	225,570	215,583	-	-
Total equity		6,664,454	6,878,520	6,116,743	8,623,060	8,966,103

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONTINUED)

		Group			Company	
	Note	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000
Non-current liabilities						
Loans and borrowings	18	13,315,158	14,180,158	15,626,429	-	-
Employee benefits	19	128,264	115,773	94,828	31,577	30,818
Provision for decommissioning cost	20	96,214	91,831	85,625	-	-
Deferred income	21	3,858,668	3,553,403	3,230,403	-	-
Derivative financial liabilities	10	179,539	112,048	153,681	-	-
Deferred tax liabilities	12	1,350,705	1,567,578	1,776,677	-	738
Total non-current liabilities		18,928,548	19,620,791	20,967,643	31,577	31,556
Current liabilities						
Trade and other payables	22	1,343,938	1,512,301	1,002,243	1,638,959	1,922,802
Current tax liabilities		75,170	135,342	117,378	-	10,042
Loans and borrowings	18	1,885,274	1,650,823	1,910,419	-	-
Derivative financial liabilities	10	26,271	23,665	31,411	-	-
Deferred income	21	58,414	58,414	103,147	-	-
Total current liabilities		3,389,067	3,380,545	3,164,598	1,638,959	1,932,844
Total liabilities		22,317,615	23,001,336	24,132,241	1,670,536	1,964,400
Total equity and liabilities		28,982,069	29,879,856	30,248,984	10,293,596	10,930,503

The notes on pages 132 to 236 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Revenue	23	7,348,230	7,130,440	635,539	415,728
Cost of sales		(5,939,793)	(5,655,236)	-	-
Gross profit		1,408,437	1,475,204	635,539	415,728
Other income		102,355	166,077	2,443	5,929
Administrative expenses		(210,530)	(233,930)	(105,668)	(113,751)
Other operating expenses		(102,601)	(88,802)	(438,829)	(599,749)
Results from operating activities		1,197,661	1,318,549	93,485	(291,843)
Finance income	24	241,688	213,290	99,014	89,335
Finance costs	25	(963,851)	(1,032,551)	(80,769)	(86,291)
Net finance (costs)/income		(722,163)	(819,261)	18,245	3,044
Share of profit of equity-accounted associates and a joint venture, net of tax		83,675	75,218	-	-
Profit/(Loss) before tax		559,173	574,506	111,730	(288,799)
Income tax expense	26	(235,693)	(211,588)	(5,878)	(48,039)
Profit/(Loss) for the year	27	323,480	362,918	105,852	(336,838)
Other comprehensive (expense)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	28	(2,886)	(10,812)	578	(6,014)
Items that may be reclassified subsequently to profit or loss					
Cash flow hedge	28	(101,092)	(69,365)	-	-
Share of gain on hedging reserves of equity-accounted associates	28	53,788	76,802	-	-
Foreign currency translation differences for foreign operations	28	(1,495)	(15,331)	-	-
		(48,799)	(7,894)	-	-
Other comprehensive (expense)/income for the year		(51,685)	(18,706)	578	(6,014)
Total comprehensive income/(expense) for the year		271,795	344,212	106,430	(342,852)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Profit/(Loss) attributable to:					
Owners of the Company		274,433	295,931	105,852	(336,838)
Non-controlling interests		49,047	66,987	-	-
Profit/(Loss) for the year		323,480	362,918	105,852	(336,838)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		222,748	277,225	106,430	(342,852)
Non-controlling interests		49,047	66,987	-	-
Total comprehensive income/(expense) for the year		271,795	344,212	106,430	(342,852)
Earnings per ordinary share (sen)					
Basic	29	5.64	5.92		
Diluted	29	5.64	5.92		

The notes on pages 132 to 236 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Note	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/ (Accumulated losses) RM'000	Total RM'000	Perpetual sukuk RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017, as previously stated		500,000	5,192,215	-	840	20,476	89,846	112,335	5,915,712	-	215,583	6,131,295
Prior year adjustments	40 (a)	-	-	-	-	-	78,115	(92,667)	(14,552)	-	-	(14,552)
At 1 January 2017, restated		500,000	5,192,215	-	840	20,476	167,961	19,668	5,901,160	-	215,583	6,116,743
Remeasurement of defined benefit liability	28	-	-	-	-	-	-	(10,812)	(10,812)	-	-	(10,812)
Foreign currency translation differences for foreign operations	28	-	-	-	-	(15,331)	-	-	(15,331)	-	-	(15,331)
Cash flow hedge	28	-	-	-	-	-	(69,365)	-	(69,365)	-	-	(69,365)
Share of gain on hedging reserves of equity-accounted associates	28	-	-	-	-	-	76,802	-	76,802	-	-	76,802
Other comprehensive (expense)/ income for the year		-	-	-	-	(15,331)	7,437	(10,812)	(18,706)	-	-	(18,706)
Profit for the year, restated		-	-	-	-	-	-	295,931	295,931	-	66,987	362,918
Comprehensive (expense)/ income for the year, restated		-	-	-	-	(15,331)	7,437	285,119	277,225	-	66,987	344,212
Issuance of perpetual sukuk	17	-	-	-	-	-	-	-	-	800,000	-	800,000
Profit distribution of perpetual sukuk		-	-	-	-	-	-	(23,794)	(23,794)	-	-	(23,794)
Dividends to owners of the Company	30	-	-	-	-	-	-	(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	16	-	-	(1,641)	-	-	-	-	(1,641)	-	-	(1,641)
Transition to no-par value regime		5,193,055	(5,192,215)	-	(840)	-	-	-	-	-	-	-
At 31 December 2017, restated		5,693,055	-	(1,641)	-	5,145	175,398	(19,007)	5,852,950	800,000	225,570	6,878,520

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Reserves: Translation RM'000	Reserves: Hedging RM'000	Accumulated losses RM'000	Total RM'000	Perpetual sukuk RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018, restated		5,693,055	-	(1,641)	5,145	175,398	(19,007)	5,852,950	800,000	225,570	6,878,520
Adjustment on initial application of MFRS 9, net of tax	39	-	-	-	-	-	(1,457)	(1,457)	-	-	(1,457)
At 1 January 2018, restated		5,693,055	-	(1,641)	5,145	175,398	(20,464)	5,851,493	800,000	225,570	6,877,063
Remeasurement of defined benefit liability	28	-	-	-	-	-	(2,886)	(2,886)	-	-	(2,886)
Foreign currency translation differences for foreign operations	28	-	-	-	(1,495)	-	-	(1,495)	-	-	(1,495)
Cash flow hedge	28	-	-	-	-	(101,092)	-	(101,092)	-	-	(101,092)
Share of gain on hedging reserves of equity-accounted associates	28	-	-	-	-	53,788	-	53,788	-	-	53,788
Other comprehensive (expense)/ income for the year		-	-	-	(1,495)	(47,304)	(2,886)	(51,685)	-	-	(51,685)
Profit for the year		-	-	-	-	-	274,433	274,433	-	49,047	323,480
Comprehensive (expense)/income for the year		-	-	-	(1,495)	(47,304)	271,547	222,748	-	49,047	271,795
Profit distribution of perpetual sukuk		-	-	-	-	-	(47,588)	(47,588)	-	-	(47,588)
Incorporation of subsidiaries		-	-	-	-	-	-	-	-	69	69
Dividends to owners of the Company	30	-	-	-	-	-	(285,920)	(285,920)	-	-	(285,920)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(55,000)	(55,000)
Total distribution to owners		-	-	-	-	-	(285,920)	(285,920)	-	(55,000)	(340,920)
Purchase of treasury shares	16	-	-	(95,965)	-	-	-	(95,965)	-	-	(95,965)
At 31 December 2018		5,693,055	-	(97,606)	3,650	128,094	(82,425)	5,644,768	800,000	219,686	6,664,454

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Reserves Capital redemption RM'000	Retained profits RM'000	Total RM'000
At 1 January 2017		500,000	5,192,215	-	840	3,917,541	9,610,596
Remeasurement of defined benefit liability	28	-	-	-	-	(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	30	-	-	-	-	(300,000)	(300,000)
Purchase of treasury shares	16	-	-	(1,641)	-	-	(1,641)
Transition to no-par value regime		5,193,055	(5,192,215)	-	(840)	-	-
At 31 December 2017/1 January 2018		5,693,055	-	(1,641)	-	3,274,689	8,966,103
Adjustment on initial application of MFRS 9, net of tax	39	-	-	-	-	(67,588)	(67,588)
At 1 January 2018, restated		5,693,055	-	(1,641)	-	3,207,101	8,898,515
Remeasurement of defined benefit liability	28	-	-	-	-	578	578
Other comprehensive income for the year		-	-	-	-	578	578
Profit for the year		-	-	-	-	105,852	105,852
Comprehensive income for the year		-	-	-	-	106,430	106,430
Dividends to the owners of the Company	30	-	-	-	-	(285,920)	(285,920)
Purchase of treasury shares	16	-	-	(95,965)	-	-	(95,965)
At 31 December 2018		5,693,055	-	(97,606)	-	3,027,611	8,623,060

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	**2017 RM'000 Restated**	**2018 RM'000**	**2017 RM'000**
Cash flows from operating activities				
Profit/(Loss) before tax	559,173	574,506	111,730	(288,799)
Adjustments for:				
Allowance for diminution in value of spares	19,131	-	-	-
Amortisation of prepaid lease payments	4,621	4,621	-	-
Amortisation of intangible assets	282,514	385,772	-	-
Amortisation of transaction costs of hedging instruments	10,396	10,678	-	-
Depreciation of property, plant and equipment	851,519	927,224	4,026	5,783
Expenses related to retirement benefit plans	14,464	12,061	4,005	2,659
Finance costs	963,851	1,032,551	80,769	86,291
Finance income	(241,688)	(213,290)	(99,014)	(89,335)
Gain arising from change in fair value of derivative financial instruments	(22,607)	(26,024)	-	-
Gain on disposal of investments in associates	(61,276)	-	-	-
Impairment loss on investments in subsidiaries	-	-	136,585	447,886
Impairment loss on investment in an associate	-	-	302,244	151,863
Impairment loss on other receivables	1,872	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	3,593	-	(14)	-
Net unrealised foreign exchange loss	1,616	8,854	-	-
Property, plant and equipment written off	29,787	5,451	-	-
Reversal of impairment loss on trade receivables	-	(4,859)	-	-
Share of profit of equity-accounted associates and a joint venture, net of tax	(83,675)	(75,218)	-	-
Operating profit before changes in working capital	2,333,291	2,642,327	540,331	316,348
Change in deferred income	305,265	278,267	-	-
Change in employee benefits	(1,973)	8,884	(2,668)	8,559
Change in inventories	78,839	(196,501)	-	-
Change in provision for decommissioning cost	4,383	6,206	-	-
Change in trade and other receivables	131,115	284,645	237,770	(480,183)
Change in trade and other payables	(361,231)	131,622	(364,612)	511,617
Cash generated from operations	2,489,689	3,155,450	410,821	356,341
Tax paid	(478,464)	(461,912)	(25,077)	(15,900)
Tax refund	1,892	26,797	-	-
Net cash from operating activities	2,013,117	2,720,335	385,744	340,441

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Additional investment in an associate		(3,914)	-	-	-
Additional investment in Redeemable Preference Shares of a subsidiary		-	-	(47,588)	(23,794)
Change in other investments		(940,649)	(1,238,028)	(30,000)	-
Dividends received from associates		28,604	21,535	-	-
Interest received		178,939	171,010	41,594	49,031
Other investment in Redeemable Cumulative Convertible Preference Share		(16,248)	-	(16,248)	-
Proceeds from disposal of investments in associates		113,478	-	-	-
Proceeds from disposal of property, plant and equipment		87	-	16	-
Proceeds from redemption of unsecured loan stocks		21,600	6,400	21,600	6,400
Purchase of property, plant and equipment		(351,866)	(304,509)	(1,610)	(2,118)
Redemption of unsecured loan stocks		(55,500)	(7,000)	-	-
Net cash (used in)/from investing activities		(1,025,469)	(1,350,592)	(32,236)	29,519
Cash flows from financing activities					
Distribution to perpetual sukuk holder		(47,588)	(23,794)	-	-
Dividends paid to the owners of the Company		(285,920)	(300,000)	(285,920)	(300,000)
Dividends paid to non-controlling interests		(55,000)	(57,000)	-	-
Interest paid		(837,807)	(905,485)	-	-
Proceeds from borrowings		1,456,714	346,160	-	-
Proceeds from issuance of perpetual sukuk		-	800,000	-	-
Proceeds from issuance of shares to non-controlling interest		69	-	-	-
Purchase of treasury shares		(95,965)	(1,641)	(95,965)	(1,641)
Redemption of preference shares		39,340	4,000	-	-
Repayment of borrowings		(2,001,873)	(1,883,256)	-	-
Net cash used in financing activities		(1,828,030)	(2,021,016)	(381,885)	(301,641)
Net (decrease)/increase in cash and cash equivalents		(840,382)	(651,273)	(28,377)	68,319
Cash and cash equivalents at 1 January	(i)	2,355,529	3,006,802	388,809	320,490
Cash and cash equivalents at 31 December	(i)	1,515,147	2,355,529	360,432	388,809

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits with licensed banks and other licensed corporations	15	1,236,019	1,818,306	341,459	351,521
Cash and bank balances	15	279,128	537,223	18,973	37,288
		1,515,147	2,355,529	360,432	388,809

The notes on pages 132 to 236 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 2018 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 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The followings are accounting standards, interpretations and amendments of the MFRSs 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 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 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- 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.

- from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual period 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 have completed the detailed assessments of the impact on the financial statements arising from the adoption of MFRS 16.

At 1 January 2019, the Group recognised lease liabilities of RM2,144,000 with corresponding additional right-of-use assets of RM2,122,000, with the difference recognised in the retained earnings.

(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 currencies

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 independent professional valuers.

The Group's subsidiaries use recoverable values of the power plant and machinery based on the valuations derived by the valuers 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 reflect the discounted cash flows that the power plant and machinery will generate during the 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 disclosed 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 are as disclosed in Note 19.

(iii) Accruals for operation and maintenance costs

The accruals for operation and maintenance costs mainly relate to C-inspections carried out for respective Independent Power Producers. Estimating the accruals involves significant judgement, selection of variety of methods and assumptions that are normally based on past costs incurred and comparable costs in the industry. The actual costs however, may be different from expected.

(iv) Intangible assets

Measurement of recoverable amounts of cash generating units is derived based on value in use of the cash generating unit. Significant assumptions used to derive value in use are as disclosed in Note 4.

(v) Investments in subsidiaries

Management reviews its investments in subsidiaries when there is an indication of potential impairment. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the performance of the subsidiaries or whether there have been significant changes with adverse effect in the market environment in which the subsidiaries operate in.

When there is an indication of impairment, management measured the recoverable amounts based on value in use of the subsidiaries. Significant assumptions used to derive value in use are as disclosed in Note 6.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

(vi) Investments in associates

Management reviews its investments in associates when there is an indication of potential impairment. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the performance of the associates or whether there have been significant changes with adverse effect in the market environment in which the associates operate in.

When there is an indication of impairment, management measured the recoverable amounts based on value in use of the associates. Significant assumptions used to derive value in use are as disclosed in Note 7.

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.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) Financial instruments;
ii) Revenue recognition; and
iii) Impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes as the result of adoption of MFRS 9 are disclosed in Note 39. There is no impact from the adoption of MFRS 15.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated 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 a 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Associates (continued)

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(v) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in joint venture is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated 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 which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as 'at fair value through profit or loss' if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(i)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see Note 2(i)(i)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) 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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as 'at fair value through profit or loss':

(i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or
(iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Current financial year (continued)

(a) Fair value through profit or loss (continued)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement 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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets (continued)

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedge

Current financial year

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, 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 accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

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 immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

Cash flow hedge (continued)

Current financial year (continued)

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

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 hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Previous financial year

In the previous financial year, cost of hedging was expensed to profit or loss.

(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 transferred, 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 of the financial asset 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

(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 except for C-inspection which is depreciated based on actual running hours of the power plant. 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:

	Current	Comparatives
• Buildings	5 - 20 years	5 - 20 years
• C-inspection costs	3 - 10 years	3 - 6 years
• Power plant and machinery	5 - 31 years	5 - 31 years
• Office equipment and furniture	5 years	5 years
• Motor vehicles	5 years	5 years
• Computers	3 years	3 years
• Leasehold land	99 years	99 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

(a) Group as lessee

Leasehold land

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets with a finite useful life are amortised from the date that they are available for use. Amortisation is recognised in profit or loss based on straight-line basis over its useful life or using the unit of production method.

The estimated useful lives for the current and comparative periods are as follows:

• Interest over Power Purchase Agreements	2 – 25 years
• Interest over Power and Water Purchase Agreement	15 years
• Interest over Operation and Maintenance Agreements	2 – 25 years

Amortisation method, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(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.

(i) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, associates and joint venture) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

If in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was 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.

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 amounts of any goodwill allocated to the cash-generating units (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating units (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment 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. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Equity instruments (continued)

(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.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(m) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when or as the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(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) 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.

(iv) 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.

(v) 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.

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.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions (continued)

Provision for decommissioning cost which arises principally in connection with the power plant is measured by independent professional valuers 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 independent professional valuers. 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% (2017: 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 segment results are reviewed regularly by the chief operating decision-maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurement

Fair value of an asset or a liability, except for 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 prices (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 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/ 1 January 2018	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
Additions	-	-	201	134,582*	88,569	122,262	721	3,046	575	1,910	351,866
Disposals	-	-	-	-	-	-	(4,480)	(146)	(376)	(230)	(5,232)
Write-off	-	-	-	-	(10,874)	(63,946)	-	-	(57)	-	(74,877)
Reclassifications	-	-	-	(88,780)	88,780	-	-	-	-	-	-
At 31 December 2018	115,516	13,182	36,882	199,276	19,329,129	1,942,485	131,459	149,132	14,847	96,031	22,027,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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/ 1 January 2018	-	2,899	29,162	-	6,187,026	1,276,545	62,800	121,478	11,064	88,905	7,779,879
Depreciation for the year	-	132	1,405	-	702,021	124,724	8,775	9,722	1,243	3,497	851,519
Disposals	-	-	-	-	-	-	(806)	(140)	(376)	(230)	(1,552)
Write-off	-	-	-	-	(4,919)	(40,114)	-	-	(57)	-	(45,090)
Reclassifications	-	-	-	-	4,747	(4,747)	-	-	-	-	-
At 31 December 2018	-	3,031	30,567	-	6,888,875	1,356,408	70,769	131,060	11,874	92,172	8,584,756
Carrying amounts											
At 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/ 1 January 2018	115,516	10,283	7,519	153,474	12,975,628	607,624	72,418	24,754	3,641	5,446	13,976,303
At 31 December 2018	115,516	10,151	6,315	199,276	12,440,254	586,077	60,690	18,072	2,973	3,859	13,443,183

* Included in the additions to property, plant and equipment of the Group for the year are capitalised net interest expense amounting to RM10,776,000 (2017: RM Nil).

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Securities

At 31 December 2018, certain Group's property, plant and equipment with a total carrying amount of RM10,568,366,000 (2017: RM10,810,792,000) were charged as securities for debt securities issued by subsidiaries (see Note 18 – loans and borrowings).

3.2 Residual values

Estimating the useful lives and 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 residual values of power plant and machinery are as below:

		Residual values	
PPA Owner	**Year of expiry**	**RM' million 2018**	**RM' million 2017**
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 RM4,840,000 per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 Residual values (continued)

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 (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 a 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 RM10,081,000 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 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 2017/1 January 2018	21,516	5,515	17,055	154	19,903	2,112	21,514	87,769
Additions	-	-	-	-	107	-	1,503	1,610
Disposals	-	-	-	-	(75)	(315)	(139)	(529)
At 31 December 2018	21,516	5,515	17,055	154	19,935	1,797	22,878	88,850
Accumulated depreciation								
At 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 January 2018	-	1,172	11,996	154	18,797	1,564	18,497	52,180
Depreciation for the year	-	57	802	-	965	184	2,018	4,026
Disposals	-	-	-	-	(74)	(315)	(138)	(527)
At 31 December 2018	-	1,229	12,798	154	19,688	1,433	20,377	55,679
Carrying amounts								
At 1 January 2017	21,516	4,400	5,861	-	3,723	453	3,301	39,254
At 31 December 2017/1 January 2018	21,516	4,343	5,059	-	1,106	548	3,017	35,589
At 31 December 2018	21,516	4,286	4,257	-	247	364	2,501	33,171

4. INTANGIBLE ASSETS

	Subsidiaries			Associates		
Group	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 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 2017/1 January 2018	8,232	7,752,609	7,760,841	351,882	939,073	1,290,955
Effect of movements in exchange rate	-	-	-	7,694	-	7,694
At 31 December 2018	8,232	7,752,609	7,760,841	359,576	939,073	1,298,649
Amortisation and impairment loss						
At 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 2017/1 January 2018	8,232	4,406,433	4,414,665	-	825,972	825,972
Amortisation for the year	-	272,002	272,002	-	10,512	10,512
At 31 December 2018	8,232	4,678,435	4,686,667	-	836,484	836,484
Carrying amounts						
At 1 January 2017	-	3,721,431	3,721,431	390,005	123,618	513,623
At 31 December 2017/1 January 2018	-	3,346,176	3,346,176	351,882	113,101	464,983
At 31 December 2018	-	3,074,174	3,074,174	359,576	102,589	462,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Intangible assets arising from interest over Power Purchase, Power and Water Purchase and Operation and Maintenance Agreements

The Group's revenue is substantially derived from the generation and sale of electricity energy and generating capacity in Malaysia, which is governed by the Power Purchase Agreements ("PPAs") (together with the Independent Power Producer Licences ("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's and PDP's PPAs have been fully amortised.

The 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 all the assets that are necessary (contributory assets) to realise the net income. The contributory asset charges ("CAC") were based on the fair value of each contributory asset and represent the return on the assets. The assumption in calculating the CAC was that the owner of the Intangible Asset "rents" or "leases" the contributory assets from a hypothetical third party in an arm's length transaction in order to be able to derive income from the Intangible Asset. The present value of the expected income attributable to the Intangible Assets less CAC and taxes represents the value of the Intangible Asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Initial measurement (continued)

The management had applied the following key assumptions in deriving the present value of the net income after taxes attributable to the Intangible Assets at the acquisition date:

• Remaining useful life of PPAs/PWPA/OMAs	2 – 25 years (in accordance with the respective PPAs, PWPA and OMAs)
• Dependable Capacity ("DC"):	
- Power	350 MW – 2,420 MW
- Water	17,047 m³/hour
• Capacity Factor:	
- Power	10% – 75% of DC
- Water	91% – 99% of DC
• Net Output:	
- Electrical (million kW/hour)	213 – 11,197
- Water (thousand m³)	67,370 – 73,771
• Capacity Rate:	
- Power (RM/kW/month)	11.35 – 50.00
- Water (RM/m³/month)	1,222 – 1,339
• Fixed Operating Rate under Revenue (RM/kW/month)	4.00 – 10.50
• Variable Operating Rate under Revenue:	
- Power (RM/kW/month)	0.013 – 4.775
- Water (RM/m³/month)	58.20 – 116.40
• Fuel price (RM/mmBtu)	4.60 – 13.70
• CAC	17.77% – 28.00% of revenue

In applying the MEEM valuation methodology, the expected cash flows were discounted to their present value equivalent using a rate of return that reflects the relative risk of the cash flows, as well as the time value of money. This was calculated by weighing the required returns on debt and equity in proportion to their assumed percentages. The applied pre-tax discount rate ranges from 7.5% to 9% per annum.

Subsidiaries

Interest over Power Purchase and Operation and Maintenance Agreements

Interest over Power Purchase and Operation and Maintenance Agreements of subsidiaries have finite useful lives are subject to impairment assessment only if there is an indication of impairment. There is no indication of impairment during the financial year.

4. INTANGIBLE ASSETS (CONTINUED)

Associates

Impairment testing for cash-generating units ("CGUs") containing goodwill and interest over Power Purchase Agreements and Power and Water Purchase Agreement

The carrying amounts of the goodwill and the interest over Power Purchase Agreements and Power and Water Purchase Agreement are allocated to the following CGUs:

	Carrying amount	
Goodwill	**2018 RM'000**	**2017 RM'000**
CGU – PWPA		
HPC – gas-fuelled and water production	359,576	351,882
Total goodwill	359,576	351,882
Less: Goodwill in an associate	(359,576)	(351,882)
	-	-

Interest over PPA and PWPA		
CGU – Interest over PPA and PWPA		
HPC – gas-fuelled and water production	46,302	51,541
KEV – multi-fuel power generation	56,287	61,560
Total intangible assets	102,589	113,101
Less: Intangible assets in associates	(102,589)	(113,101)
	-	-

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% (2017: 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INTANGIBLE ASSETS (CONTINUED)

Associates (continued)

Impairment testing for cash-generating units ("CGUs") containing goodwill and interest over Power Purchase Agreements and Power and Water Purchase Agreement (continued)

It is assumed that the terms of the PPAs and PWPA will remain unchanged throughout the concession period.

• Remaining useful life of PPAs/PWPA	4 – 13 years (in accordance with the respective PPAs and PWPA)
• Dependable Capacity ("DC"):	
- Power	350 – 2,420MW
- Water	17,047 m³/hour
• Capacity Factor:	
- Power	1% – 98% of DC
- Water	94% – 97% of DC
• Net Output:	
- Electrical (million kW/hour)	427 – 16,555
- Water (thousand m³)	67,376 – 72,141
• Capacity Rate:	
- Power (RM/kW/month)	11.61 – 43.03
- Water (RM/m³/month)	1,529
• Fixed Operating Rate under Revenue:	
- Power (RM/kW/month)	5.16 – 9.49
- Water (RM/m³/month)	281 – 345
• Variable Operating Rate under Revenue:	
- Power (RM/kW/month)	0.0060 – 5.7824
- Water (RM/m³/month)	102 – 125
• Fuel price (RM/mmBtu)	6.07 – 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 2018 and 31 December 2017, the estimated recoverable amounts of all the CGUs exceed 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 PPAs and PWPA of the CGUs by (RM135,358,000)/RM141,088,000.

5. PREPAID LEASE PAYMENTS

Leasehold land

Group	Unexpired period less than 50 years RM'000
Cost	
At 1 January 2017/31 December 2017/1 January 2018	116,276
Addition during the year	-
At 31 December 2018	116,276
Amortisation	
At 1 January 2017	47,940
Amortisation for the year	4,621
At 31 December 2017/1 January 2018	52,561
Amortisation for the year	4,621
At 31 December 2018	57,182
Carrying amounts	
At 1 January 2017	68,336
At 31 December 2017/1 January 2018	63,715
At 31 December 2018	59,094

6. INVESTMENTS IN SUBSIDIARIES

		Company	
	Note	2018 RM'000	2017 RM'000
At cost			
Unquoted shares		8,134,741	8,134,741
Unquoted preference shares		71,382	23,794
Amount due from a subsidiary	6.1	109,350	-
Impairment loss	6.2	(584,471)	(447,886)
		7,731,002	7,710,649

6.1 During the financial year, the amount due from a subsidiary which is non-trade in nature, unsecured and interest free has been classified as investments in subsidiaries. The amount due from a subsidiary has no fixed payment date and that the subsidiary has the right to defer the payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

6.2 During the financial year ended 31 December 2018, the Company continued to assess the recoverability of its investments in subsidiaries which have 10 years or less remaining in the terms of their PPAs.

The impairment test of the investments in subsidiaries is 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 10% (2017: 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 key assumptions in deriving the present value of the net cash flow before taxes attributable to the subsidiaries based on forecasted demand prepared by the customer, PPAs and OMAs.

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). During the financial year ended 31 December 2018, consequent to the impairment test carried out, the Company recognised an impairment loss amounting to RM136,585,000 (2017: RM447,886,000) in the profit or loss.

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 investments in subsidiaries by (RM23,667,000)/RM24,332,000.

Details of subsidiaries are as follows:

Name of companies	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Direct subsidiaries				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of companies	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Direct subsidiaries (continued)				
5. Hypergantic Sdn. Bhd.	Malaysia	100	100	Investment holding
6. Tanjung Bin Energy Sdn. Bhd.	Malaysia	100	100	Design, engineering, procurement, construction, installation and commissioning, testing, operation and maintenance of a 1,000 MW coal-fired electricity generating facility
7. Teknik Janakuasa Sdn. Bhd.	Malaysia	100	100	Investment holding company and provision of operation and maintenance and any related services
8. Malakoff Utilities Sdn. Bhd.	Malaysia	100	100	Build, own and operate an electricity distribution system and a centralised chilled water plant system
9. Malakoff Engineering Sdn. Bhd.	Malaysia	100	100	Provision of engineering and project management services
10. Spring Assets Limited	British Virgin Islands	100	100	Dormant
11. Malakoff Capital (L) Limited	Federal Territory of Labuan, Malaysia	100	100	Dormant
12. Malakoff International Limited	Cayman Islands	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	100	Dormant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of companies	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Indirect subsidiaries				
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
24. TJZ Suria Sdn. Bhd.	Malaysia	51	-	Provision of operation, maintenance and repair services of the solar photovoltaic energy generating facility ("Facility") and the associated transmission line and facilities for the development and operation of the Facility
Held through TJSB International Limited				
25. TJSB International (Shoaiba) Limited	British Virgin Islands	100	100	Offshore – Investment holding
26. TJSB Middle East Limited	British Virgin Islands	100	100	Operation and maintenance of power plant
Held through Malakoff Engineering Sdn. Bhd.				
27. 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 companies	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Indirect subsidiaries (continued)				
Held through Malakoff International Limited				
28. Malakoff Gulf Limited	British Virgin Islands	100	100	Offshore – Investment holding
29. Malakoff Technical (Dhofar) Limited	British Virgin Islands	100	100	Offshore – Investment holding
30. Malakoff AlDjazair Desal Sdn. Bhd.	Malaysia	100	100	Investment holding
31. Malakoff Oman Desalination Company Limited	British Virgin Islands	100	100	Offshore – Investment holding
32. Malakoff Hidd Holding Company Limited	Guernsey	100	100	Asset, property, investment, intellectual property and other holding companies
33. Pacific Goldtree Sdn. Bhd.	Malaysia	100	100	Investment holding
Held through Tuah Utama Sdn. Bhd.				
34. Green Biogas Sdn. Bhd.	Malaysia	60	-	Business of developing, operating and maintaining biogas power plant project
Held through Malakoff AlDjazair Desal Sdn. Bhd.				
35. Tlemcen Desalination Investment Company SAS*	France	70	70	Offshore – Investment holding
Held through Malakoff Hidd Holding Company Limited				
36. 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				
37. Tanjung Bin O&M Berhad	Malaysia	100	100	Operation and maintenance of power plant
38. PDP O&M Sdn. Bhd.^	Malaysia	100	100	Operation and maintenance of power plant
Held through Hypergantic Sdn. Bhd.				
39. Port Dickson Power Berhad^	Malaysia	100	100	Independent power producer licensed by the Government to supply electricity exclusively to Tenaga Nasional Berhad

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows (continued):

Name of companies	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Indirect subsidiaries (continued)				
Held through Pacific Goldtree Sdn. Bhd.				
40. Skyfirst Power Sdn. Bhd.	Malaysia	100	100	Investment holding
Held through Skyfirst Power Sdn. Bhd.				
41. Malakoff Australia Pty. Ltd.*	Australia	100	100	Investment holding
42. Wind Macarthur Holdings (T) Pty. Limited*	Australia	100	100	Investment holding
Held through Malakoff Australia Pty. Ltd.				
43. Malakoff Holdings Pty. Ltd.*	Australia	100	100	Investment holding
Held through Malakoff Holdings Pty. Ltd.				
44. Malakoff Wind Macarthur Holdings Pty. Limited*	Australia	100	100	Investment holding
Held through Malakoff Wind Macarthur Holdings Pty. Limited				
45. Malakoff Wind Macarthur Pty. Limited*	Australia	100	100	Leasing of wind turbine assets
Held through Wind Macarthur Holdings (T) Pty. Limited				
46. Wind Macarthur (T) Pty. Limited*	Australia	100	100	Leasing of plant and equipment
Held through Wind Macarthur (T) Pty. Limited				
47. Wind Macarthur Finco Pty. Limited*	Australia	100	100	Financing operations for Macarthur Wind Farm project

* Audited by other member firms of KPMG International

^ Not audited by member firms of KPMG International

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Group	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
2018					
NCI percentage of ownership interest and voting interest	6.25%	25%	10%		
Carrying amount of NCI	49,755	98,172	74,495	(2,736)	219,686
(Loss)/Profit allocated to NCI	(4,254)	8,753	44,812	(264)	49,047
Summarised financial information before intra-group elimination					
As at 31 December					
Non-current assets	1,461,167	558,845	5,010,071		
Current assets	704,547	176,190	4,494,041		
Non-current liabilities	(1,222,018)	(251,563)	(7,592,605)		
Current liabilities	(147,615)	(90,785)	(1,166,551)		
Net assets	796,081	392,687	744,956		
Year ended 31 December					
Revenue	934,378	300,019	4,121,560		
(Loss)/Profit for the year	(68,066)	35,010	448,118		
Total comprehensive (expense)/income	(68,066)	35,010	448,118		
Cash flows from operating activities	151,602	134,680	1,041,777		
Cash flows used in investing activities	(132,930)	(62,787)	(347,154)		
Cash flows used in financing activities	(118,083)	(60,000)	(690,059)		
Net (decrease)/increase in cash and cash equivalents	(99,411)	11,893	4,564		
Dividends paid to NCI	-	15,000	40,000	-	55,000

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	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
2017					
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)		
Dividends paid to NCI	-	20,000	37,000	-	57,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENTS IN ASSOCIATES

	Group			Company	
	2018 RM'000	2017 RM'000 Restated	2016 RM'000 Restated	2018 RM'000	2017 RM'000
At cost					
Unquoted shares:					
- in Malaysia	255,460	269,060	269,060	896,430	896,430
- outside Malaysia	72,773	86,333	86,333	-	-
Unquoted preference shares:					
- in Malaysia	-	-	4,000	-	-
Unquoted loan stocks:					
- in Malaysia	307,430	329,030	335,430	307,430	329,030
- outside Malaysia	42,041	81,382	81,382	-	-
Pre-acquisition reserves	100,592	125,275	125,275	-	-
Share of post-acquisition reserves	289,259	176,845	46,355	-	-
Accumulated impairment loss	-	-	-	(454,107)	(151,863)
	1,067,555	1,067,925	947,835	749,753	1,073,597
Add: Intangible assets acquired through business combination (see Note 4)					
Goodwill	359,576	351,882	390,005	-	-
Interest over PPA and PWPA	939,073	939,073	939,073	-	-
	1,298,649	1,290,955	1,329,078	-	-
Less: Amortisation of intangible assets					
At 1 January	(362,326)	(351,809)	(341,267)	-	-
Amortisation for the year	(10,512)	(10,517)	(10,542)	-	-
At 31 December	(372,838)	(362,326)	(351,809)	-	-
Less: Impairment loss on intangible assets					
At 1 January/31 December	(463,646)	(463,646)	(463,646)	-	-
	(463,646)	(463,646)	(463,646)	-	-
	1,529,720	1,532,908	1,461,458	749,753	1,073,597

During the financial year ended 31 December 2018, the Company continued to assess the recoverability of its investments in associates which have 10 years or less remaining in the terms of their PPA and PWPA.

The impairment test of the investments in associates is 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 were 9% - 10% (2017: 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 key assumptions in deriving the present value of the net cash flow before taxes attributable to the associates based on forecasted demand prepared by the customer, PPA and PWPA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

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). During the financial year ended 31 December 2018, consequent to the impairment test carried out, the Company recognised an impairment loss amounting to RM302,244,000 (2017: RM151,863,000) in the profit or loss.

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 investments in associates by (RM37,244,000)/RM38,578,000.

Details of associates are as follows:

No.	Name of companies	Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Direct associate					
1.	Kapar Energy Ventures Sdn. Bhd.	Malaysia	40	40	Generation and sale of electricity
Indirect associates					
2.	Lekir Bulk Terminal Sdn. Bhd.*	Malaysia	-	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of associates are as follows (continued):

No.	Name of companies	Country of incorporation	Effective ownership interest and voting interest (%) 2018	2017	Principal activities
Indirect associates (continued)					
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
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	35	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	32.5	45	Desalination of water

^ Increase in shareholding
* Decrease in shareholding

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 interests in the associates.

Group	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
2018					
Summarised financial information					
As at 31 December					
Non-current assets	1,827,990	6,927,198	3,381,321	984,374	-
Current assets	1,983,686	909,178	580,847	34,402	-
Non-current liabilities	(1,790,265)	(5,118,672)	(2,986,942)	(809,576)	-
Current liabilities	(1,571,800)	(698,307)	(283,552)	(60,786)	-
Net assets	449,611	2,019,397	691,674	148,414	-
Year ended 31 December					
(Loss)/Profit for the year	(80,418)	398,354	146,254	12,067	8,743
Other comprehensive income	-	131,850	79,430	11,643	-
Total comprehensive (expense)/income	(80,418)	530,204	225,684	23,710	8,743
Included in the total comprehensive income/(expense) are:					
Revenue	2,244,944	1,180,418	1,727,571	131,357	29,952
Depreciation and amortisation	(2,673)	(308,157)	(205,439)	(34,745)	(5,201)
Interest income	26,344	-	-	-	64
Interest expense	(183,170)	(308,963)	(146,496)	(35,196)	(87)
Income tax expense	(45,098)	(13,381)	-	(9,415)	(2,828)

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 interests in the associates (continued).

Group	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
2018							
Reconciliation of net assets to carrying amount							
As at 31 December							
Group's share of net assets	179,844	242,328	276,670	48,234	-	13,049	760,125
Goodwill	-	-	359,576	-	-	-	359,576
Intangible assets	56,287	-	46,302	-	-	-	102,589
Redeemable unsecured loan stocks	307,430	-	-	-	-	-	307,430
Carrying amount in the statements of financial position	543,561	242,328	682,548	48,234	-	13,049	1,529,720
Group's share of results							
Year ended 31 December							
Group's share of (loss)/ profit for the year	(32,168)	44,153	58,501	3,922	1,748	7,519	83,675
Group's share of other comprehensive income	-	15,822	31,772	3,784	-	2,410	53,788
Group's share of total comprehensive (expense)/income	(32,168)	59,975	90,273	7,706	1,748	9,929	137,463
Other information							
Dividend received	-	-	17,423	4,904	-	6,277	28,604

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 interests in the associates (continued).

Group	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
2017					
Summarised financial information As at 31 December, restated					
Non-current assets	1,951,950	6,483,069	3,272,366	1,009,772	382,279
Current assets	1,797,544	490,552	582,735	45,906	61,040
Non-current liabilities	(2,174,062)	(684,111)	(3,091,051)	(868,243)	(220,614)
Current liabilities	(1,045,404)	(4,442,080)	(254,507)	(47,640)	(57,794)
Net assets	530,028	1,847,430	509,543	139,795	164,911
Year ended 31 December, restated					
(Loss)/Profit for the year	(75,588)	439,193	147,346	(3,361)	22,475
Other comprehensive income	-	104,650	145,745	9,329	-
Total comprehensive (expense)/income	(75,588)	543,843	293,091	5,968	22,475
Included in the total comprehensive income/(expense) are:					
Revenue	2,267,339	1,302,346	1,689,693	172,140	112,816
Depreciation and amortisation	(892)	(326,910)	(227,202)	(37,848)	(21,202)
Interest income	19,699	-	-	-	84
Interest expense	(198,469)	(344,402)	(161,797)	(39,031)	(1,125)
Income tax expense	(81,590)	(29,191)	-	(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 interests in the associates (continued).

Group	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
2017							
Reconciliation of net assets to carrying amount							
As at 31 December, restated							
Group's share of net assets	212,011	221,692	203,817	62,908	32,982	5,485	738,895
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	221,692	607,240	62,908	32,982	5,485	1,532,908
Group's share of results							
Year ended 31 December, restated							
Group's share of (loss)/ profit for the year	(30,235)	45,440	58,938	(1,512)	4,495	(1,908)	75,218
Group's share of other comprehensive income	-	12,558	58,298	4,198	-	1,748	76,802
Group's share of total comprehensive (expense)/income	(30,235)	57,998	117,236	2,686	4,495	(160)	152,020
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 interests in the associates (continued).

Group	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
2016					
Summarised financial information As at 31 December, restated					
Non-current assets	2,315,125	7,367,537	3,641,403	1,136,363	399,215
Current assets	1,651,326	583,019	613,752	138,821	63,955
Non-current liabilities	(3,049,302)	(1,239,228)	(3,760,524)	(956,312)	(236,152)
Current liabilities	(311,531)	(5,347,227)	(225,704)	(185,046)	(64,596)
Net assets	605,618	1,364,101	268,927	133,826	162,422
Year ended 31 December, restated					
(Loss)/Profit for the year	(69,045)	354,222	110,511	13,969	23,305
Other comprehensive income	-	641,508	84,111	7,643	-
Total comprehensive (expense)/income	(69,045)	995,730	194,622	21,612	23,305
Included in the total comprehensive income/(expense) are:					
Revenue	1,853,105	1,205,160	1,561,246	136,364	33,055
Depreciation and amortisation	(1,237)	(315,296)	(222,792)	(30,112)	(6,403)
Interest income	18,138	-	-	-	507
Interest expense	(221,252)	(362,944)	(162,282)	(31,231)	(784)
Income tax expense	(12,985)	(25,059)	-	-	(3,074)

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 interests in the associates (continued).

Group	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
2016							
Reconciliation of net assets to carrying amount							
As at 31 December, restated							
Group's share of net assets	242,247	163,692	107,571	60,222	32,484	6,189	612,405
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	163,692	554,361	60,222	32,484	6,189	1,461,458
Group's share of results							
Year ended 31 December, restated							
Group's share of (loss)/ profit for the year	(27,618)	(42,677)	44,204	6,286	4,661	(3,119)	(18,263)
Group's share of other comprehensive income	-	76,981	33,644	3,439	-	18,588	132,652
Group's share of total comprehensive (expense)/income	(27,618)	34,304	77,848	9,725	4,661	15,469	114,389
Other information							
Dividend received	-	-	28,762	-	-	475	29,237

* Shuaibah Water and Electricity Company Limited ("SWEC") and Shuaibah Expansion Project Company Limited ("SEPCO"), indirect associates of the Group have recorded prior year adjustments in relation to deferred tax, retirement benefits and property, plant and equipment and cash flow hedge reserve in their financial statements for the year ended 31 December 2017 (see Note 40).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN A JOINT VENTURE

Group	2018 RM'000	2017 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 seawater 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. Thus, the Group has classified the investment in AAS as a joint venture.

In 2016, the Group had made provision up to the carrying amount of the investment in the joint venture in the relation to a dispute as disclosed in Note 35.

9. FINANCE LEASE RECEIVABLE

The finance lease receivable relates to a 25-year lease agreement for the right to use and occupy 3 parcels of land, substations and assets.

The future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

Group	2018 RM'000	2017 RM'000
Minimum lease payments:		
Within one year	173,442	182,792
1-2 years	178,590	187,566
2-5 years	559,129	590,612
Over 5 years	3,257,592	3,730,044
Gross investment in finance lease	4,168,753	4,691,014
Less: Unearned finance income	(2,135,668)	(2,482,811)
Present value of minimum lease payments	2,033,085	2,208,203
Analysed as:		
Within one year	14,103	-
1-2 years	20,561	15,251
2-5 years	97,427	84,109
Over 5 years	1,900,994	2,108,843
Total finance lease receivable	2,033,085	2,208,203
Comprising:		
Current	14,103	-
Non-current	2,018,982	2,208,203
	2,033,085	2,208,203

For the financial year ended 31 December 2018, the Group recognised finance lease income of RM163,364,000 (2017: RM181,405,000) as disclosed in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	2018 Assets RM'000	2018 Liabilities RM'000	2017 Assets RM'000	2017 Liabilities RM'000
Non-current				
Derivatives at fair value through profit or loss				
- Interest rate swaps	-	(179,539)	-	(112,048)
- Cross currency swap	412,576	-	417,283	-
	412,576	(179,539)	417,283	(112,048)
Current				
Derivatives at fair value through profit or loss				
- Interest rate swaps	-	(26,271)	-	(23,665)
	-	(26,271)	-	(23,665)
	412,576	(205,810)	417,283	(135,713)

Interest rate and cross currency swaps are used to achieve an appropriate mix of fixed and floating interest rates 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 are entered into for a period of 5 to 17 years.

11. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Other receivables	11.1	71,144	81,540	-	-
Current					
Trade					
Trade receivables	11.2	1,370,310	1,535,554	-	-
Less: Allowance for impairment loss		(969)	(266,814)	-	-
		1,369,341	1,268,740	-	-
Non-trade					
Amounts due from subsidiaries	11.3	-	-	1,130,521	1,516,027
Amount due from an associate	11.4	205,048	191,904	205,048	191,904
Other receivables		514,755	511,532	5,997	8,231
Deposits and prepayments		124,141	146,658	23,005	5,697
		843,944	850,094	1,364,571	1,721,859
		2,213,285	2,118,834	1,364,571	1,721,859
		2,284,429	2,200,374	1,364,571	1,721,859

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

11.1 Other receivables – non-current

Other receivables represent transaction costs arising 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	
	2018 RM'000	2017 RM'000
Tenaga Nasional Berhad	1,353,428	1,511,028

11.3 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for amounts of RM740,570,199 (2017: RM652,322,469) which are subject to interest rate ranging from 4.6% - 5.9% (2017: 5.9%) per annum.

11.4 Amount due from an associate

The amount due from an associate represents interest receivable on subordinated loan which is subject to interest rate of 8% (2017: 8%) per annum.

11.5 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set-off for presentation purpose:

Company	Note	Gross amount RM'000	Balances that are set-off RM'000	Net carrying amount in the statement of financial position RM'000
2018				
Amounts due from subsidiaries		1,367,010	(236,489)	1,130,521
Amounts due to subsidiaries	22	(1,855,830)	236,489	(1,619,341)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment	-	-	(2,263,670)	(2,213,853)	(2,263,670)	(2,213,853)
Provisions	118,929	123,467	-	-	118,929	123,467
Intangibles	-	-	(660,932)	(720,390)	(660,932)	(720,390)
Unutilised tax losses	-	28,871	-	-	-	28,871
Unutilised capital allowances	735,695	572,538	-	-	735,695	572,538
Deferred income	939,190	866,836	-	-	939,190	866,836
Deferred expenses	-	-	(76,554)	(85,560)	(76,554)	(85,560)
Tax assets/(liabilities)	1,793,814	1,591,712	(3,001,156)	(3,019,803)	(1,207,342)	(1,428,091)
Set-off of tax	(1,650,451)	(1,452,225)	1,650,451	1,452,225	-	-
Net tax assets/(liabilities)	143,363	139,487	(1,350,705)	(1,567,578)	(1,207,342)	(1,428,091)
Company						
Property, plant and equipment	35	-	-	(738)	35	(738)
Provisions	986	-	-	-	986	-
Net tax assets/(liabilities)	1,021	-	-	(738)	1,021	(738)

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movements in temporary differences during the year:

Group	At 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/ 1.1.2018 RM'000	Adjustments on initial application of MFRS 9 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive (expense)/ income (Note 28) RM'000	At 31.12.2018 RM'000
Deferred tax assets								
Provisions	75,881	55,790	(8,204)	123,467	461	(29,289)	24,290	118,929
Unutilised tax losses	7,893	20,978	-	28,871	-	(28,871)	-	-
Unutilised capital allowances	440,339	132,199	-	572,538	-	163,157	-	735,695
Deferred income	800,052	66,784	-	866,836	-	72,354	-	939,190
Tax assets	1,324,165	275,751	(8,204)	1,591,712	461	177,351	24,290	1,793,814
Set-off of tax	(1,254,597)	(197,628)	-	(1,452,225)	-	(198,226)	-	(1,650,451)
Net tax assets	69,568	78,123	(8,204)	139,487	461	(20,875)	24,290	143,363
Deferred tax liabilities								
Property, plant and equipment	(2,140,336)	(73,517)	-	(2,213,853)	-	(49,817)	-	(2,263,670)
Intangibles	(804,627)	84,237	-	(720,390)	-	59,458	-	(660,932)
Deferred expense	(86,311)	751	-	(85,560)	-	9,006	-	(76,554)
Tax liabilities	(3,031,274)	11,471	-	(3,019,803)	-	18,647	-	(3,001,156)
Set-off of tax	1,254,597	197,628	-	1,452,225	-	198,226	-	1,650,451
Net tax liabilities	(1,776,677)	209,099	-	(1,567,578)	-	216,873	-	(1,350,705)

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movements in temporary differences during the year (continued):

Company	At 1.1.2017 RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 26) RM'000	At 31.12.2018 RM'000
Deferred tax assets					
Provisions	-	-	-	986	986
Deferred tax liabilities					
Property, plant and equipment	(1,705)	967	(738)	773	35
Net tax assets/(liabilities)	(1,705)	967	(738)	1,759	1,021

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item (stated at gross):

	Group 2018 RM'000	Group 2017 RM'000
Unutilised tax losses:		
As at 31 December	120,504	-
Tax at 24% (2017: 24%)	28,921	-

In accordance with the provision of Finance Act 2018 requirement, the unutilised tax losses are available for utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits.

13. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000
At cost		
Consumables	289,036	380,915
Coal	392,352	399,868
Diesel fuel	79,416	77,991
	760,804	858,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. OTHER INVESTMENTS

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current					
Investment in Redeemable Cumulative Convertible Preference Shares ("RCCPS")	14.1	16,248	-	16,248	-
Current					
Deposits with licensed banks and other licensed corporations – amortised cost	14.2	3,582,478	2,641,829	30,000	-

14.1 Investment in RCCPS

During the financial year, the Group invested in RCCPS issued by a company which is engaged in installation of non-electric solar energy collectors and wholesale of variety of goods. The issuer may redeem the RCCPS subject to the approval of the Company. The RCCPS are subject to dividend rate of 11% per annum.

14.2 Deposits with licensed banks and other licensed corporations

Included in other investments of the Group and of the Company is an amount of RM3,052,199,000 (2017: RM2,250,948,000) and RM30,000,000 (2017: RM Nil), 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).

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks and other licensed corporations	1,236,019	1,818,306	341,459	351,521
Cash and bank balances	279,128	537,223	18,973	37,288
	1,515,147	2,355,529	360,432	388,809

Included in cash and cash equivalents of the Group and of the Company is an amount of RM1,081,017,000 (2017: RM2,000,667,000) and RM240,856,000 (2017: RM388,809,000), 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	Number of shares 2018 '000	Amount 2018 RM'000	Number of shares 2017 '000	Amount 2017 RM'000
Ordinary shares issued and fully paid:				
At 1 January	5,000,000	5,693,055	5,000,000	500,000
Transfer from share premium and capital redemption reserve	-	-	-	5,193,055
At 31 December	5,000,000	5,693,055	5,000,000	5,693,055

16. CAPITAL AND RESERVES (CONTINUED)

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company had twenty four (24) months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016. As at the date of issuance of the financial statements, the Company did not utilise the share premium amounting to RM5,193,055,000.

Treasury shares

During the financial year, the Company repurchased a total of 109,954,600 ordinary shares from the open market for a total consideration of RM95,964,523 at an average cost of RM0.87 per share. The repurchase transactions were financed by internally generated funds. 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 2018, the total number of treasury shares held is 2.24% of the total number of issued share capital of the Company.

Group and Company	Number of shares 2018 '000	Amount 2018 RM'000	Number of shares 2017 '000	Amount 2017 RM'000
Treasury shares				
At 1 January	1,824	1,641	-	-
Purchase during the year	109,955	95,965	1,824	1,641
At 31 December	111,779	97,606	1,824	1,641

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.

Capital redemption reserve

In 2009, the Company had redeemed 8,400,000 Redeemable Convertible Preference Share ("RCPS") at a redemption price of RM10.00 per share comprising the nominal amount of RM0.10 each and premium of RM9.90 each. 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	2018 RM'000	2017 RM'000
Nominal value		
At 1 January	800,000	-
Issuance during the year	-	800,000
At 31 December	800,000	800,000

Tanjung Bin Energy Sdn. Bhd., 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 subsidiary 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 subsidiary 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 the subsidiary.

Based on the underlying issuing terms, the perpetual sukuk has been classified as equity in the financial statements of the subsidiary.

18. LOANS AND BORROWINGS

		Group	
	Note	2018 RM'000	2017 RM'000
Non-current			
Secured			
AUD term loan 1	18.1	-	442,498
AUD term loan 2	18.2	1,396,400	448,151
RM term loan	18.3	-	1,810
Sukuk Ijarah medium term notes	18.4	3,231,019	3,707,931
Sukuk medium term notes	18.5	3,037,175	3,653,761
Sukuk Wakalah	18.6	290,000	290,000
Senior Sukuk Murabahah	18.7	3,080,000	3,145,000
Senior RM term loan	18.8	517,580	592,550
Senior USD term loan	18.9	1,435,192	1,505,347
USD term loan	18.10	297,792	307,610
Unsecured			
Redeemable Preference Shares	18.11	30,000	-
Subordinated loan notes		-	85,500
		13,315,158	14,180,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. LOANS AND BORROWINGS (CONTINUED)

		Group	
	Note	2018 RM'000	2017 RM'000
Current			
Secured			
AUD term loan 1	18.1	409,178	-
AUD term loan 2	18.2	21,513	1,111,388
RM term loan	18.3	-	5,135
Sukuk Ijarah medium term notes	18.4	525,000	-
Sukuk medium term notes	18.5	670,000	330,000
Senior Sukuk Murabahah	18.7	65,000	60,000
Senior RM term loan	18.8	74,970	60,760
Senior USD term loan	18.9	103,069	67,350
USD term loan	18.10	16,544	16,190
		1,885,274	1,650,823
		15,200,432	15,830,981

18.1 AUD term loan 1 drawdown by Malakoff International Limited ("MIL")

Security

The AUD term loan 1 is secured over a first ranking share pledge over the investments 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

During the financial year, WMF has refinanced its AUD term loan 2. The refinanced 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 1.15:1 (2017: 1.10:1) on any two consecutive calculation date.

18.3 RM term loan drawdown by Malakoff Utilities Sdn. Bhd. ("MUSB")

Security

During the financial year, the RM term loan that was secured over certain property, plant and equipment with a carrying amount of RM25,904,000 has been fully settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. LOANS AND BORROWINGS (CONTINUED)

18.4 Sukuk Ijarah medium term notes issued by Tanjung Bin Power Sdn. Bhd. ("TBP")

Security

The Sukuk Ijarah medium term notes are secured over property, plant and equipment with a carrying amount of RM4,765,561,000 (2017: RM4,933,823,000).

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.

18.5 Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")

Security

The Sukuk medium term notes are secured over an irrevocable and unconditional guarantee under the principle of Kafalah from the Company, an assignment and charge over MPB's 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

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 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

The Senior Sukuk Murabahah is secured over Tanjung Bin Energy Sdn. Bhd. ("TBE")'s property, plant and equipment with a carrying amount of RM5,802,805,000 (2017: RM5,851,065,000).

Significant covenant

TBEI is required to maintain a debt-to-equity ratio of not more than 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

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 more than 80:20 and a finance service cover ratio of not less than 1.05:1.

18. LOANS AND BORROWINGS (CONTINUED)

18.9 Senior USD term loan drawdown by TBEI

Security

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 more than 80:20 and a finance service cover ratio of not less than 1.05:1.

18.10 USD term loan drawdown by MIL

Security

The USD term loan is secured over MIL's designated account and its investment in a subsidiary.

Significant covenant

MIL is required to maintain a debt-to-equity ratio of the Guarantor (the Company) of not more than 1:1 and a Group debt-to-equity ratio of not more than 5.5:1.

18.11 Redeemable Preference Shares issued by TBP

During the financial year, TBP has converted its subordinated loan notes of RM30,000,000 into Redeemable Preference Shares ("RPS").

The features of the RPS are as follows:

(i) Dividend

(a) Holder of the RPS shall be entitled to receive annually a fixed dividend rate of 7.5% per annum.
(b) Dividends on the RPS shall be non-cumulative.
(c) Dividends on the RPS shall be payable on the date that the dividends are paid on ordinary shares issued by the issuer.

(ii) Redemption of RPS

The holder has the discretion to redeem the RPS at any time from the Issue Date up to the Maturity Date, subject to issuer meeting the requirements stated under the Companies Act.

(iii) Voting

The RPS shall carry no right to vote at any general meeting of the issuer except on a resolution for the winding up and on any resolution that may affect the rights and privileges of the RPS holder.

18.12 Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movements RM'000	Others RM'000	At 31 December 2018 RM'000
AUD term loan 1	442,498	-	(33,320)	-	409,178
AUD term loan 2	1,559,539	(19,252)	(122,374)	-	1,417,913
RM term loan	6,945	(6,945)	-	-	-
Sukuk Ijarah medium term notes	3,707,931	-	-	48,088	3,756,019
Sukuk medium term notes	3,983,761	(330,000)	-	53,414	3,707,175
Sukuk Wakalah	290,000	-	-	-	290,000
Senior Sukuk Murabahah	3,205,000	(60,000)	-	-	3,145,000
Senior RM term loan	653,310	(60,760)	-	-	592,550
Senior USD term loan	1,572,697	(52,400)	17,964	-	1,538,261
USD term loan	323,800	(15,802)	6,338	-	314,336
Subordinated loan notes/ Redeemable Preference Shares	85,500	-	-	(55,500)	30,000
	15,830,981	(545,159)	(131,392)	46,002	15,200,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. LOANS AND BORROWINGS (CONTINUED)

18.12 Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

Group	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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Defined benefit obligations	129,068	120,421	31,802	32,197
Fair value of plan assets	(804)	(4,648)	(225)	(1,379)
Net defined benefit liabilities	128,264	115,773	31,577	30,818

The Company's Staff Retirement Benefits Scheme ("the Scheme") provides pension benefits for eligible employees upon retirement. Malakoff Corporation Berhad, Teknik Janakuasa Sdn. Bhd., Malakoff Utilities Sdn. Bhd., Malakoff Engineering Sdn. Bhd. and Malakoff Power Berhad (collectively referred to as "employer") participate and contribute to the Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. EMPLOYEE BENEFITS (CONTINUED)

The following table shows the reconciliation from the beginning and end of the financial year for net defined benefit liability and its components:

Movements in defined benefit obligations

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Defined benefit obligations at beginning of the year	120,421	102,463	32,197	21,593
Included in profit or loss				
Current service costs	8,822	7,260	2,423	1,686
Interest costs	5,925	5,219	1,686	1,080
	14,747	12,479	4,109	2,766
Included in other comprehensive income/(expense)				
Actuarial loss arising from:				
- Financial assumptions	2,258	10,315	601	2,509
- Demographic assumptions	-	(1,823)	-	(525)
- Experience	-	3,626	-	4,196
	2,258	12,118	601	6,180
Others				
Benefits paid directly by the employer	(3,823)	(2,347)	(2,374)	(324)
Benefits paid by the plan	(4,535)	(4,292)	(2,731)	(1,190)
Intercompany transfers	-	-	-	3,172
	(8,358)	(6,639)	(5,105)	1,658
Defined benefit obligations at end of the year	129,068	120,421	31,802	32,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. EMPLOYEE BENEFITS (CONTINUED)

Movements in fair value of plan assets

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Plan assets at beginning of the year	(4,648)	(7,635)	(1,379)	(1,993)
Included in profit or loss				
Interest income	(283)	(418)	(104)	(107)
	(283)	(418)	(104)	(107)
Included in other comprehensive income/(expense)				
Return on scheme assets lesser than discount rate	628	134	(1,179)	(166)
	628	134	(1,179)	(166)
Others				
Benefits paid by the plan	4,535	4,292	2,731	1,190
Employer contributions	(1,036)	(1,021)	(294)	(303)
	3,499	3,271	2,437	887
Plan assets at end of the year	(804)	(4,648)	(225)	(1,379)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. EMPLOYEE BENEFITS (CONTINUED)

Movements in net defined benefit liabilities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net defined benefit liabilities at beginning of the year	115,773	94,828	30,818	19,600
Included in profit or loss				
Current service costs	8,822	7,260	2,423	1,686
Interest costs	5,642	4,801	1,582	973
	14,464	12,061	4,005	2,659
Included in other comprehensive income/(expense)				
Actuarial loss arising from:				
- Demographic assumptions	-	(1,823)	-	(525)
- Financial assumptions	2,258	10,315	601	2,509
- Experience	-	3,626	-	4,196
Return on scheme assets lesser than discount rate	628	134	(1,179)	(166)
	2,886	12,252	(578)	6,014
Others				
Benefits paid directly by the employer	(3,823)	(2,347)	(2,374)	(324)
Employer contributions	(1,036)	(1,021)	(294)	(303)
Intercompany transfers	-	-	-	3,172
	(4,859)	(3,368)	(2,668)	2,545
Net defined benefit liabilities at end of the year	128,264	115,773	31,577	30,818

The Group expects to pay RM7,500,000 (2017: RM7,632,000) in contributions to the defined benefit plan in 2019.

19. EMPLOYEE BENEFITS (CONTINUED)

Plan assets

The major categories of plan assets are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity instruments	301	2,789	84	827
Malaysian government securities	151	995	42	295
Foreign investments	105	177	29	52
Derivatives	-	14	-	4
Cash and cash equivalents	231	493	65	146
Others	16	180	5	55
	804	4,648	225	1,379

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period:

	Group		Company	
	2018	2017	2018	2017
Discount rate	4.80%	5.00%	4.80%	5.00%
Salary inflation	8.88%	8.88%	8.88%	8.88%

As at 31 December 2018, the duration of the Scheme is estimated to be 10 years (2017: 10 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis

Reasonably possible changes at the reporting date to the significant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impact on the aggregate service and interest costs				
Discount rate				
One percentage point increase	(112)	(220)	(29)	(41)
One percentage point decrease	61	204	12	39
Salary inflation				
One percentage point increase	1,658	1,327	456	285
One percentage point decrease	(1,457)	(1,168)	(403)	(252)
Impact on the defined benefit obligations				
Discount rate				
One percentage point increase	(10,970)	(10,424)	(2,860)	(2,728)
One percentage point decrease	12,586	12,006	3,249	3,111
Salary inflation				
One percentage point increase	13,446	11,541	3,492	2,995
One percentage point decrease	(11,880)	(10,248)	(3,114)	(2,685)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. PROVISION FOR DECOMMISSIONING COST

	Group	
	2018 RM'000	2017 RM'000
Non-current	96,214	91,831

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 their respective PPA terms.

The provision is based on valuation reports 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	
	2018 RM'000	2017 RM'000
At beginning of the year	3,611,817	3,333,550
Additions	362,416	382,677
Credited to profit or loss	(57,151)	(104,410)
At end of the year	3,917,082	3,611,817
Non-current	3,858,668	3,553,403
Current	58,414	58,414
At end of the year	3,917,082	3,611,817

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables	22.1	802,229	831,926	-	-
Non-trade					
Other payables	22.2	64,630	131,626	5,962	9,436
Accrued expenses	22.2	477,079	548,749	13,656	20,972
Amounts due to subsidiaries	22.3	-	-	1,619,341	1,892,394
		541,709	680,375	1,638,959	1,922,802
		1,343,938	1,512,301	1,638,959	1,922,802

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	
	2018 RM'000	2017 RM'000
Petroliam Nasional Berhad	56,469	70,982
TNB Fuel Services Sdn. Bhd.	710,127	715,994
Tenaga Nasional Berhad	10,276	9,995
	776,872	796,971

22.2 Other payables and accrued expenses

As at 31 December 2018, included in accrued expenses of the Group are interest expense payable of RM135,724,000 (2017: RM139,575,000) and provision for CESS fund of RM40,253,000 (2017: RM32,123,000).

22.3 Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand except for amounts of RM1,271,326,000 (2017: RM1,271,326,000), which are subject to an interest rate of 5.50% - 6.90% (2017: 5.50% - 7.71%) per annum.

23. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers	4,896,297	4,353,769	-	-
Other revenue				
- Capacity income	2,284,970	2,589,938	-	-
- Project management fees	1,723	1,625	1,723	1,625
- Rental income from estate	1,876	3,703	1,876	3,703
- Finance lease income	163,364	181,405	-	-
- Dividends from subsidiaries	-	-	614,900	393,920
- Management fees from subsidiaries	-	-	17,040	16,480
	2,451,933	2,776,671	635,539	415,728
Total revenue	7,348,230	7,130,440	635,539	415,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. REVENUE (CONTINUED)

23.1 Disaggregation of revenue

	Local		Foreign		Total	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Major products and services						
Energy income	4,747,568	4,205,104	-	-	4,747,568	4,205,104
Electricity distribution	143,336	135,525	-	-	143,336	135,525
Operation and maintenance fees	1,728	2,039	3,665	11,101	5,393	13,140
	4,892,632	4,342,668	3,665	11,101	4,896,297	4,353,769
Timing and recognition						
Over time	4,892,632	4,342,668	3,665	11,101	4,896,297	4,353,769
Revenue from contracts with customers	4,892,632	4,342,668	3,665	11,101	4,896,297	4,353,769
Other revenue	2,288,569	2,595,266	163,364	181,405	2,451,933	2,776,671
Total revenue	7,181,201	6,937,934	167,029	192,506	7,348,230	7,130,440

23.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms
Energy income	Revenue is recognised over time as the customer simultaneously receives and consumes the electricity provided by the entity.	Credit period of 30 days from invoice date.
Electricity distribution	Revenue is recognised over time as the customer simultaneously receives and consumes the electricity provided by the entity.	Credit period of 30 days from invoice date.
Operation and maintenance fees	Revenue is recognised over time as and when the operation and maintenance services are performed by the entity.	Credit period of 30 days from invoice date.

24. FINANCE INCOME

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest income on financial assets calculated using the effective interest method – at amortised cost	246,092	213,290	99,014	89,335
Recognised in profit or loss	241,688	213,290	99,014	89,335
Capitalised on qualifying assets:				
- Property, plant and equipment	4,404	-	-	-
	246,092	213,290	99,014	89,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCE COSTS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss – at amortised cost	974,648	1,026,345	80,769	86,291
Other finance costs	4,383	6,206	-	-
	979,031	1,032,551	80,769	86,291
Recognised in profit or loss	963,851	1,032,551	80,769	86,291
Capitalised on qualifying assets:				
- Property, plant and equipment	15,180	-	-	-
	979,031	1,032,551	80,769	86,291

26. INCOME TAX EXPENSE

Recognised in profit or loss

	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Current tax expense				
Malaysian – current year	435,729	461,314	12,907	16,737
Overseas – current year	5,318	1,434	-	-
(Over)/Under provision in prior year	(9,356)	36,062	(5,270)	32,269
	431,691	498,810	7,637	49,006
Deferred tax expense				
Origination and reversal of temporary differences	(226,686)	(282,794)	(1,308)	(65)
Overseas – current year	(4,157)	4,331	-	-
Write down of deferred tax assets	28,871	-	-	-
Under/(Over) provision in prior year	5,974	(8,759)	(451)	(902)
	(195,998)	(287,222)	(1,759)	(967)
Total income tax expense	235,693	211,588	5,878	48,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of tax expense

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Profit/(Loss) for the year	323,480	362,918	105,852	(336,838)
Total income tax expense	235,693	211,588	5,878	48,039
Profit/(Loss) excluding tax	559,173	574,506	111,730	(288,799)
Tax at Malaysian tax rate of 24% (2017: 24%)	134,202	137,881	26,815	(69,312)
Non-taxable income	(40,694)	(16,508)	(151,245)	(94,541)
Non-deductible expenses	132,620	76,922	136,029	180,525
Effect of tax rates in foreign jurisdictions	4,158	4,042	-	-
Effect of share of results of associates	(20,082)	(18,052)	-	-
Write down of deferred tax assets	28,871	-	-	-
(Over)/Under provision in prior year				
- current tax	(9,356)	36,062	(5,270)	32,269
- deferred tax	5,974	(8,759)	(451)	(902)
Total income tax expense	235,693	211,588	5,878	48,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. PROFIT/(LOSS) FOR THE YEAR

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) for the year is arrived at after charging/(crediting):				
Auditors' remuneration:				
Audit fees				
- KPMG	1,687	1,794	624	639
- Other audit firms	418	575	341	300
Non-audit fees*				
- KPMG	1,184	1,521	463	941
- Other audit firms	563	357	410	157
Material expenses/(income)				
Allowance for diminution in value of spares	19,131	-	-	-
Amortisation of prepaid lease payments	4,621	4,621	-	-
Amortisation of intangible assets	282,514	385,772	-	-
Amortisation of transaction costs of hedging instruments	10,396	10,678	-	-
Depreciation of property, plant and equipment	851,519	927,224	4,026	5,783
Impairment loss on other receivables	1,872	-	-	-
Impairment loss on investments in subsidiaries	-	-	136,585	447,886
Impairment loss on investment in an associate	-	-	302,244	151,863
Contribution and corporate social responsibility	16,891	12,696	4,891	696
Loss on disposal of property, plant and equipment	3,593	-	-	-
Personnel expenses (including key management personnel):				
- Contribution to Employees Provident Fund	23,234	20,764	8,427	6,934
- Expenses related to retirement benefit plans	14,464	12,061	4,005	2,659
- Wages, salaries and others	170,085	142,995	47,179	40,618
Property, plant and equipment written off	29,787	5,451	-	-
Realised foreign exchange loss	1,627	1,756	1,078	62
Unrealised foreign exchange loss	1,616	10,047	-	-
Zakat expenses	1,255	1,300	1,255	1,300
Gain on disposal of investments in associates	(61,276)	-	-	-
Gain arising from change in fair value of derivative financial instruments	(22,607)	(26,024)	-	-
Reversal of impairment loss on trade receivables	-	(4,859)	-	-
Gain on disposal of property, plant and equipment	-	-	(14)	-
Realised foreign exchange gain	(8,038)	(1,250)	-	-
Unrealised foreign exchange gain	-	(1,193)	-	-

* 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.

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**
2018			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(2,886)	-	(2,886)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge - Loss arising during the year	(125,382)	24,290	(101,092)
Share of gain on hedging reserves of equity-accounted associates	53,788	-	53,788
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(1,495)	-	(1,495)
	(73,089)	24,290	(48,799)
2017, restated			
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 reserves of equity-accounted associates	76,802	-	76,802
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(15,331)	-	(15,331)
	1,750	(9,644)	(7,894)

Company			
2018			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	578	-	578
2017			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(6,014)	-	(6,014)

29. EARNINGS PER SHARE

Basic/Diluted earnings per ordinary share

The calculation of basic/diluted earnings per ordinary share at 31 December 2018 is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	**2018**	**2017 Restated**
Profit attributable to ordinary shareholders (RM'000)	274,433	295,931
Weighted average number of ordinary shares at 31 December ('000)	4,865,069	4,999,937
Basic/Diluted earnings per ordinary share (sen)	5.64	5.92

30. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2018			
Final 2017 ordinary share	3.70	182,695	1 June 2018
Interim 2018 ordinary share	2.10	103,225	11 October 2018
Total amount		285,920	
2017			
Final 2016 ordinary share	3.50	175,000	23 May 2017
Interim 2017 ordinary share	2.50	125,000	6 October 2017
Total amount		300,000	

At the forthcoming Annual General Meeting, a final single-tier dividend of 3.50 sen per ordinary share in respect of the financial year ended 31 December 2018 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 2019.

31. OPERATING SEGMENTS

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 which the Chief Executive Officer ("the chief operating decision-maker") regularly reviews and analyses the operating results of local and foreign segments in a manner consistent with the Group's internal reporting.

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Segment operating results, assets and liabilities are 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. Investments in associates are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. OPERATING SEGMENTS (CONTINUED)

	Local		Foreign		Eliminations[A]		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Business segments								
Revenue from external customers	7,181,201	6,937,934	167,029	192,506	-	-	7,348,230	7,130,440
Inter-segment revenue	1,555,518	1,463,847	108,480	79,253	(1,663,998)	(1,543,100)	-	-
Total segment revenue	8,736,719	8,401,781	275,509	271,759	(1,663,998)	(1,543,100)	7,348,230	7,130,440
Profit after tax	551,590	451,198	136,982	101,451	(365,092)	(189,731)	323,480	362,918

	Local		Foreign		Eliminations[A]		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Segment assets	41,573,220	42,421,553	4,067,934	4,220,793	(18,188,805)	(18,295,398)	27,452,349	28,346,948
Investments in associates	749,753	1,087,378	130,104	163,489	649,863	282,041	1,529,720	1,532,908
							28,982,069	29,879,856
Segment liabilities	30,084,295	30,725,315	3,539,211	3,478,090	(11,305,891)	(11,202,069)	22,317,615	23,001,336
Capital expenditure	357,574	308,790	-	-	(5,708)	(4,281)	351,866	304,509

[A] Inter-segment transactions are eliminated on consolidation

31. OPERATING SEGMENTS (CONTINUED)

	Local		Foreign		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-cash expenses items:						
Impairment loss on other receivables	(1,872)	-	-	-	(1,872)	-
Allowance for diminution in value of spares	(19,131)	-	-	-	(19,131)	-
Amortisation of intangible assets	(277,275)	(380,528)	(5,239)	(5,244)	(282,514)	(385,772)
Amortisation of prepaid lease payments	(4,621)	(4,621)	-	-	(4,621)	(4,621)
Amortisation of transaction costs of hedging instruments	(10,396)	(10,678)	-	-	(10,396)	(10,678)
Depreciation of property, plant and equipment	(851,519)	(927,224)	-	-	(851,519)	(927,224)
Expenses related to retirement benefit plans	(14,464)	(12,061)	-	-	(14,464)	(12,061)
Property, plant and equipment written off	(29,787)	(5,451)	-	-	(29,787)	(5,451)
	(1,209,065)	(1,340,563)	(5,239)	(5,244)	(1,214,304)	(1,345,807)

Geographical information

The local and foreign segments are managed on a worldwide basis, with operating 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 deferred tax assets.

Group	Revenue 2018 RM'000	Non-current assets 2018 RM'000	Revenue 2017 RM'000	Non-current assets 2017 RM'000
Geographical information				
Malaysia	7,181,201	16,576,451	6,937,933	17,386,194
Indonesia	2,234	-	5,882	-
Middle East	1,431	-	5,220	-
Australia	163,364	-	181,405	-
	7,348,230	16,576,451	7,130,440	17,386,194

Major customer

The following is a major customer with revenue equal or more than 10% of the Group's total revenue:

	Revenue	
Group	2018 RM'000	2017 RM'000
Tenaga Nasional Berhad	7,032,538	6,794,754

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 as at 31 December 2018 categorised as follows:

a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9
- Designated upon initial recognition ("DUIR")

b) Amortised cost ("AC")

Group	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	FVTPL-DUIR RM'000
2018				
Financial assets				
Trade and other receivables*	2,081,340	2,081,340	-	-
Other investments	3,598,726	3,582,478	16,248	-
Cash and cash equivalents	1,515,147	1,515,147	-	-
Derivative financial assets	412,576	-	-	412,576
	7,607,789	7,178,965	16,248	412,576
Financial liabilities				
Loans and borrowings	(15,200,432)	(15,200,432)	-	-
Trade and other payables	(1,343,938)	(1,343,938)	-	-
Derivative financial liabilities	(205,810)	-	-	(205,810)
	(16,750,180)	(16,544,370)	-	(205,810)

Company	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
2018			
Financial assets			
Trade and other receivables*	1,363,664	1,363,664	-
Other investments	46,248	30,000	16,248
Cash and cash equivalents	360,432	360,432	-
	1,770,344	1,754,096	16,248
Financial liabilities			
Trade and other payables*	(1,638,891)	(1,638,891)	-
	(1,638,891)	(1,638,891)	-

* Excludes non-financial instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

a) Loans and receivables ("L&R")
b) Financial liabilities measured at amortised cost ("FL")
c) Fair value through profit or loss ("FVTPL") – 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)

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)

* Excludes non-financial instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net gains/(losses) on:				
Loans and receivables	-	208,789	-	89,273
Financial assets measured at amortised cost	244,611	-	97,936	-
Financial liabilities measured at amortised cost	(963,851)	(1,032,551)	(80,769)	(86,291)
Fair value through profit or loss designated upon initial recognition	22,607	26,024	-	-
	(696,633)	(797,738)	17,167	2,982

32.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

32.4 Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customer. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade 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 through the review of receivables ageing.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to the enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Trade receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

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, representing approximately 61% (2017: 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.

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Domestic	1,367,430	1,262,293
Others	1,911	6,447
	1,369,341	1,268,740

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days. The Group's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the commercial team; and
b) Above 90 days past due, the Group will initiate a legal proceeding against the customer.

The Group uses an allowance matrix to measure Expected Credit Losses ("ECLs") of trade receivables.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are not significant for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
2018			
Not past due	1,368,682	-	1,368,682
Past due 0 – 30 days	632	-	632
Past due 31 – 120 days	359	(332)	27
Past due more than 120 days	637	(637)	-
	1,370,310	(969)	1,369,341

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below:

Group	Lifetime ECL 2018 RM'000
Balance at 1 January as per MFRS 139	266,814
Adjustment on initial application of MFRS 9	969
Balance at 1 January as per MFRS 9	267,783
Amount written off	(266,814)
Balance at 31 December	969

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 receivables.

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The ageing of trade receivables as at 31 December 2017 was as follows:

Group	Gross RM'000	Impairment RM'000	Balance 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

The movements in the allowance for impairment losses of trade receivables during the financial year were:

Group	2017 RM'000
At 1 January	271,673
Impairment loss reversed	(4,859)
At 31 December	266,814

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Other receivables

Credit risk on other receivables mainly arises from interest receivables, deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease term. The Group manages the credit risk together with the leasing arrangement.

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.

The Group did not recognise any allowance for impairment losses during the financial year.

Interest receivable is due from banks and financial institutions that have a low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material.

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 RM423,496,000 (2017: RM641,250,000) and RM165,702,000 (2017: RM170,045,000), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

Recognition and measurement of impairment loss

The Group and the Company assume that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Group and the Company consider a financial guarantee to be credit impaired when:

a) the subsidiary is unlikely to repay its credit obligation to the bank in full; or
b) the subsidiary is continuously loss making and has a deficit shareholders' fund.

The Group and the Company determine the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that the subsidiaries would default on their projects.

Related company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide loans and advances to related companies. The Group and the Company monitor the results of the related companies regularly, as well as their ability to repay the loans and advances on an individual basis.

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.

Related company loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Related company loans and advances (continued)

Recognition and measurement of impairment loss

Generally, the Group and the Company consider related company loans and advances to have low credit risk. It is assumed that there is a significant increase in credit risk when a related company's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the related company's loans and advances when they are payable, loans and advances are considered to be in default when the related companies are not able to pay when demanded. A related company's loans and advances are considered to be credit impaired when:

a) the related company is unlikely to repay its loans or advances to the Company in full;
b) the related company's loans and advances are overdue for more than 365 days; or
c) the related company is continuously loss making and has a deficit in shareholders' fund.

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for related companies' loans and advances as at 31 December 2018.

Group	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2018			
Significant increase in credit risk	205,997	(949)	205,048
Company			
2018			
Low credit risk	1,130,521	-	1,130,521
Significant increase in credit risk	272,636	(67,588)	205,048
	1,403,157	(67,588)	1,335,569

The movements in the allowance for impairment in respect of related companies' balances and advances during the year are as follows:

	Group RM'000	Company RM'000
2018		
Lifetime ECL		
Balance at 1 January as per MFRS 139	-	-
Adjustments on initial application of MFRS 9	(949)	(67,588)
Balance at 1 January as per MFRS 9	(949)	(67,588)
Net remeasurement of loss allowance	-	-
Balance at 31 December	(949)	(67,588)

There is no significant increase in net measurement of loss allowance in the financial year.

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

In prior year, no impairment loss on related companies' balances and advances was made.

32. FINANCIAL INSTRUMENTS (CONTINUED)

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 in relation to the Group's and the Company's financial liabilties could occur significantly earlier, or at significantly different amounts.

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
2018							
Financial liabilities							
Secured							
AUD term loan 1	409,178	BBSY*+ margin 1.33	415,672	415,672	-	-	-
AUD term loan 2	1,417,913	6.09 - 6.61	2,004,381	115,622	118,477	368,631	1,401,651
Sukuk Ijarah medium term notes	3,756,019	4.54 - 5.45	5,222,913	726,539	677,704	1,358,036	2,460,634
Sukuk medium term notes	3,707,175	5.05 - 6.25	5,419,991	892,605	599,287	1,592,275	2,335,824
Sukuk Wakalah	290,000	4.80 - 5.60	392,837	14,924	15,007	161,968	200,938
Senior Sukuk Murabahah	3,145,000	4.87 - 6.20	5,027,870	247,777	255,340	700,056	3,824,697
Senior RM term loan	592,550	5.58 - 5.80	797,787	114,047	118,635	415,363	149,742
Senior USD term loan	1,538,261	5.80	2,330,088	199,024	204,085	656,631	1,270,348
USD term loan	314,336	Libor + margin 1.2	325,300	23,926	301,374	-	-
	15,170,432		21,936,839	2,750,136	2,289,909	5,252,960	11,643,834
Unsecured							
Redeemable Preference Shares	30,000	9.00	51,394	-	5,638	4,500	41,256
Trade and other payables	1,343,938	-	1,343,938	1,343,938	-	-	-
	16,544,370		23,332,171	4,094,074	2,295,547	5,257,460	11,685,090

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
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

* 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
2018				
Financial liabilities				
Unsecured				
Other payables and accruals	19,550	-	19,550	19,550
Amounts due to subsidiaries	1,271,326	5.50 – 6.90	1,352,047	1,352,047
Amounts due to subsidiaries	348,015	-	348,015	348,015
	1,638,891		1,719,612	1,719,612
2017				
Financial liabilities				
Unsecured				
Other payables and accruals	30,403	-	30,403	30,403
Amounts due to subsidiaries	1,271,326	5.50 – 7.71	1,358,295	1,358,295
Amounts due to subsidiaries	621,068	-	621,068	621,068
	1,922,797		2,009,766	2,009,766

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"), Indonesian Rupiah ("IDR"), Kuwait Dinar ("KWD") 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 is as follows:

	AUD RM'000	IDR RM'000	KWD RM'000	USD RM'000
2018				
Deposits with licensed banks	73,117	3,788	490	115,626
Trade and other receivables	-	1,302	204	-
Loans and borrowings	(1,827,091)	-	-	(314,336)
Trade and other payables	-	-	-	(1,754)
Net exposure	(1,753,974)	5,090	694	(200,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk (continued)

The Group's exposure to foreign currency (a currency which is other than the currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period is as follows (continued):

	AUD RM'000	IDR RM'000	KWD RM'000	USD RM'000
2017				
Deposits with licensed banks	26,307	2,007	15,868	40,726
Trade and other receivables	112	2,045	4,620	-
Loans and borrowings	(2,002,037)	-	-	(323,800)
Trade and other payables	(589)	-	-	(1,332)
Net exposure	(1,976,207)	4,052	20,488	(284,406)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have functional currencies other than Ringgit Malaysia. A 10% (2017: 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	
Group	**2018 RM'000**	**2017 RM'000**
AUD	133,302	150,192
IDR	387	308
KWD	(53)	(1,557)
USD	15,235	21,615
	148,871	170,558

A 10% (2017: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Market risk (continued)

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 rated instruments. All interest rate exposures are monitored and managed proactively by the Group's management.

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 are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
- Financial assets	5,097,625	4,997,358	390,432	388,809
- Financial liabilities	(14,328,780)	(14,901,355)	-	-
Floating rate instruments				
- Financial liabilities	(871,652)	(929,626)	-	-

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 and post-tax profit or loss 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
2018				
Floating rate instruments	8,717	(8,717)	-	-
Interest rate swaps	-	-	133,555	(132,336)
Cross currency swap	-	-	53,216	(57,022)
Cash flow sensitivity (net)	8,717	(8,717)	186,771	(189,358)
2017				
Floating rate instruments	9,296	(9,296)	-	-
Interest rate swaps	-	-	86,768	(85,976)
Cross currency swap	-	-	124,307	(144,260)
Cash flow sensitivity (net)	9,296	(9,296)	211,075	(230,236)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities

Currency risk – Transactions in foreign currency

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group. The functional currency of Group companies are primarily the Malaysian ringgit ("MYR"). The currency in which these transactions are primarily denominated is the US Dollar ("USD").

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

Interest rate risk

To manage interest rate risk exposure, the Group partly enter into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities (continued)

Cash flow hedge

The Group entered into various interest rate swaps ("IRS") and cross currency swap ("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, AUD and USD loans.

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Group	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
	Maturity			
2018				
Foreign currency risk				
Cross currency swap				
Net exposure	33,757	32,631	118,023	309,475
Fixed foreign exchange rate (RM/USD)	3.149	3.149	3.149	3.149
Interest rate risk				
Interest rate swaps				
Net exposure	(41,574)	(41,788)	(103,628)	(140,646)
Fixed interest swaps	5.80%-6.46%	5.80%-6.46%	5.80%-6.46%	5.80%-6.46%

At 31 December 2017, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Group	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
	Maturity			
2017				
Foreign currency risk				
Cross currency swap				
Net exposure	9,174	25,458	108,709	384,125
Fixed foreign exchange rate (RM/USD)	3.149	3.149	3.149	3.149
Interest rate risk				
Interest rate swaps				
Net exposure	(47,031)	(40,769)	(95,392)	(82,061)
Fixed interest swaps	5.80%-7.27%	5.80%-7.27%	5.80%-7.27%	5.80%-7.27%

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities (continued)

Cash flow hedge (continued)

The amounts relating to items designated as hedged items as at reporting date are as follows:

Group	Change in value used for calculation of hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000
2018		
Foreign currency risk		
Cross currency swap	22,679	(45,350)
Interest rate risk		
Interest rate swaps	(72)	(55,742)
2017		
Foreign currency risk		
Cross currency swap	24,722	(92,555)
Interest rate risk		
Interest rate swaps	1,302	23,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities (continued)

Cash flow hedge (continued)

The amounts relating to items designated as hedging instruments as at reporting date are as follows:

Group	Nominal amount RM'000	Carrying amount Assets RM'000	Carrying amount Liabilities RM'000	Line item in the statements of financial position where the hedging instrument is included
2018				
Foreign currency risk				
Cross currency swap	(1,171,204)	412,576	-	*Derivative financial assets*
Interest rate risk				
Interest rate swaps	(1,728,670)	-	(205,810)	*Derivative financial liabilities*
2017				
Foreign currency risk				
Cross currency swap	(1,223,610)	417,283	-	*Derivative financial assets*
Interest rate risk				
Interest rate swaps	(1,831,226)	-	(135,713)	*Derivative financial liabilities*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Hedging activities (continued)

Cash flow hedge (continued)

The amounts relating to hedge effectiveness as at reporting date are as follows:

Group	Changes in the value of hedging instrument recognised RM'000	Hedge ineffectiveness recognised in profit or loss RM'000	Line item in profit or loss that includes hedge ineffectiveness
2018			
Foreign currency risk			
Cross currency swap	(4,707)	22,679	*Other operating expenses*
Interest rate risk			
Interest rate swaps	(70,097)	(72)	*Other operating expenses*
2017			
Foreign currency risk			
Cross currency swap	(253,513)	24,722	*Other operating expenses*
Interest rate risk			
Interest rate swaps	49,379	1,302	*Other operating expenses*

The following table provides reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	2018 Hedging reserve RM'000	2017 Hedging reserve RM'000
Balance at 1 January	175,398	167,961
Changes in fair value:		
Cross currency swap	(45,350)	(92,555)
Interest rate swaps	(55,742)	23,190
Share of hedging reserve of equity-accounted associates	53,788	76,802
Balance at 31 December	128,094	175,398

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)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
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**	**RM'000**	**RM'000**
2018										
Non-current										
Financial assets										
Derivative financial assets:										
Cross currency swap	-	412,576	-	412,576	-	-	-	-	412,576	412,576
Other investments	-	-	16,248	16,248	-	-	-	-	16,248	16,248
Finance lease receivable	-	-	-	-	-	-	2,018,982	2,018,982	2,018,982	2,018,982
	-	412,576	16,248	428,824	-	-	2,018,982	2,018,982	2,447,806	2,447,806
Financial liabilities										
Derivative financial liabilities:										
Interest rate swaps	-	(179,539)	-	(179,539)	-	-	-	-	(179,539)	(179,539)
Loans and borrowings										
Secured:										
AUD term loan 2	-	-	-	-	-	-	(1,772,796)	(1,772,796)	(1,772,796)	(1,396,400)
Sukuk Ijarah medium term notes	-	-	-	-	-	(4,069,695)	-	(4,069,695)	(4,069,695)	(3,231,019)
Sukuk medium term notes	-	-	-	-	-	(4,114,058)	-	(4,114,058)	(4,114,058)	(3,037,175)
Sukuk Wakalah	-	-	-	-	-	(290,675)	-	(290,675)	(290,675)	(290,000)
Senior Sukuk Murabahah	-	-	-	-	-	(3,259,880)	-	(3,259,880)	(3,259,880)	(3,080,000)
Senior RM term loan	-	-	-	-	-	-	(646,866)	(646,866)	(646,866)	(517,580)
Senior USD term loan	-	-	-	-	-	-	(2,011,817)	(2,011,817)	(2,011,817)	(1,435,192)
USD term loan	-	-	-	-	-	-	(290,973)	(290,973)	(290,973)	(297,792)
Unsecured:										
Redeemable Preference Shares	-	-	-	-	-	-	(47,150)	(47,150)	(47,150)	(30,000)
	-	(179,539)	-	(179,539)	-	(11,734,308)	(4,769,602)	(16,503,910)	(16,683,449)	(13,494,697)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
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**	**RM'000**	**RM'000**
2017										
Non-current										
Financial assets										
Derivative financial assets:										
Cross currency swap	-	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)

Level 2 fair value

Derivatives

The Interest Rate Swap ("IRS") and Cross Currency Swap ("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 is 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 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 (2017: 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.

(a) 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

(b) Financial instruments carried at fair value

Type	Description of valuation technique and inputs used
Other investments	As the investee has not commenced operations, the net assets value at reporting date is used

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Fair value information (continued)

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's debt-to-equity ratio is applied to the following loans and borrowings:

a) Sukuk medium term notes issued by Malakoff Power Berhad ("MPB")

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.

The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

	2018	2017
Company debt-to-equity ratio	0.56:1	0.59:1

b) USD term loan for Malakoff International Limited ("MIL")
c) 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 not more than 1:1.

The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

	2018	2017
Company debt-to-equity ratio	0.56:1	0.58:1

33.2 The Group's 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

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.

The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

	2018	2017 Restated
Group debt-to-equity ratio	2.40:1	2.46:1

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 financial year.

34. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Plant and equipment				
Authorised but not contracted for	245,856	130,885	4,548	2,538
Authorised and contracted for	83,639	243,571	-	-
	329,495	374,456	4,548	2,538

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 clarification 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 filed against AAS in respect of repression of foreign exchange regulations.

The Court had on 24 December 2014 convicted AAS and had subsequently imposed a penalty of DZD3,929,038,151 (approximately RM148.3 million at the exchange rate of RM1: DZD26.5) ("Penalty"). The Group's liability arising from the Penalty, in proportion to the Group's 35.7% effective interest in AAS via TDIC, which may impact the profit of the Group, amounts to DZD1,402,666,620 (approximately RM52.9 million). The Court of Appeal upheld the decision and the Penalty imposed by the Court on 2 March 2016.

Notwithstanding the decision of the Court, AAS has been advised by its solicitor in Algeria, that the Penalty would not be enforced until the exhaustion of all rights to appeal by AAS in respect of the proceedings.

AAS' solicitors had filed an appeal at the Supreme Court on 17 June 2016 and subsequently submitted the grounds of appeal on 9 August 2016. The Supreme Court has yet to deliver any decision on the appeal.

The Group's carrying amount of investment in AAS has been fully impaired in year 2016. Notwithstanding this, AAS will continue with the appeal until the exhaustion of all rights.

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.

36. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the following transactions are shown in Notes 11, 14, 15 and 22.

		Group		Company	
		2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
i.	**Associate**				
	Interest income on unsecured subordinated loan notes	40,343	42,280	40,343	42,280
ii.	**Subsidiaries**				
	Management fees	-	-	17,040	16,480
	Dividends	-	-	614,900	393,920
	Interest income on advances to subsidiaries	-	-	43,399	31,102
	Interest expense on advances from subsidiaries	-	-	(80,769)	(86,291)
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	7,344,408	7,039,624	-	-
	Purchase of electricity bulk supply	(122,385)	(120,466)	-	-
	Petroliam Nasional Berhad				
	Purchase of gas	(860,561)	(636,141)	-	-
	TNB Fuel Services Sdn. Bhd.				
	Purchase of coal	(3,443,850)	(3,265,416)	-	-
	Financial institutions and other corporations				
	Interest income	135,434	132,339	12,897	15,129
	Energy Commission				
	CESS fund contribution	(29,572)	(27,644)	-	-
	Malaysian Resources Corporation Berhad				
	Sales of centralised chilled water and electricity	27,454	31,224	-	-
iv.	**Key management personnel**				
	Directors				
	- Salary	-	1,155	-	1,155
	- Fees	1,116	1,193	1,116	1,193
	- Meeting allowances	416	512	415	510
	- Other allowances	154	301	154	301
	- Other remuneration	624	870	324	458
	- Estimated monetary value of benefit-in-kind	61	103	39	80
		2,371	4,134	2,048	3,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. SIGNIFICANT EVENTS DURING THE YEAR

(a) Termination of the Water Purchase Agreement ("WPA") entered between Sonatrach SpA ("Sonatrach") and L'Algerienne Des Eaux (collectively referred to as "Offtakers") of the one part and Almiyah Attilemcania SpA ("AAS") and Tlemcen Desalination Investment Company SAS ("TDIC") of the other part in relation to the seawater desalination plant in the district of Tlemcen, Algeria ("Plant")

On 18 November 2018, a joint venture of the Group, AAS and its holding company, TDIC, an indirect subsidiary of Malakoff International Limited which in turn is a wholly-owned subsidiary of the Group, received a notice of termination dated 12 November 2018 ("Notice of Termination") issued by the Offtakers, giving eight (8) days' prior written notice from the date of receipt of the Notice of Termination, for the termination of the WPA dated 9 December 2007 for the Plant in the District of Tlemcen, Algeria based on the alleged breach of WPA due to failure of AAS and TDIC to honour the remediation commitments for the Plant that were notified by the Offtakers. Upon the legal advice given by the solicitors, TDIC and AAS had on 23 November 2018 and 27 November 2018 issued their respective Notices of Dispute to the Offtakers in accordance with the provisions of the WPA, contesting the existence of the events of default and the validity of the termination.

Subsequent to the above, on 30 November 2018, TDIC received a Notice of Transfer of Shares dated 29 November 2018 ("Notice of Transfer") issued by Algerian Energy Company SPA ("AEC"), to the Offtakers and TDIC, notifying its decision to request the transfer of TDIC's shares in AAS to AEC and its intention to carry out a Technical Appraisal of the Plant. AEC is the 49% shareholder of AAS, a joint stock company incorporated in Algeria for the design, installation and operation of the Plant, whilst TDIC holds the remaining 51% of AAS. TDIC had on 10 December 2018 responded to AEC, objecting to the transfer of shares and technical appraisal of the Plant.

The Group's carrying amount of investment in AAS had been fully impaired in year 2016. The purported termination of the WPA is not expected to have any material impact on the financial results, net assets and gearing of the Group for financial year ended 31 December 2018.

(b) Incorporation of subsidiaries

(i) On 8 June 2018, Teknik Janakuasa Sdn. Bhd. ("TJSB"), a wholly-owned subsidiary of the Company together with Zelleco Engineering Sdn. Bhd. ("Zelleco") jointly incorporated a private company limited by shares under the Companies Act 2016 known as TJZ Suria Sdn. Bhd. ("TJZ Suria"). TJZ Suria was incorporated as the special purpose company to provide operation, maintenance and repair services for a solar photovoltaic energy generating facility in Kota Tinggi, Johor Darul Takzim, with a capacity of 29MW ("Facility") and associated transmission line and facilities for the development and operation of the Facility.

The share capital of TJZ Suria is RM100,000 comprising 100,000 ordinary shares which have been issued and fully paid-up. TJSB and Zelleco, hold 51% and 49% equity interests in TJZ Suria, respectively.

(ii) On 28 November 2018, Tuah Utama Sdn. Bhd. ("TUSB"), a wholly-owned subsidiary of the Company together with Concord Alliance Sdn. Bhd. ("Concord") jointly incorporated a private company limited by shares under the Companies Act 2016 known as Green Biogas Sdn. Bhd. ("GBSB"). GBSB was incorporated as the special purpose company to carry out the business of developing, operating and maintaining biogas power plant. The share capital of GBSB is RM50,000 comprising 50,000 ordinary shares which have been issued and fully paid-up. TUSB and Concord hold 60% and 40% equity interests in GBSB, respectively.

38. DISPOSAL OF INVESTMENTS IN ASSOCIATES

(a) Disposal of investment in Lekir Bulk Terminal Sdn. Bhd. ("LBTSB")

On 5 September 2018, Tuah Utama Sdn. Bhd. ("TUSB"), a wholly-owned subsidiary of the Company completed the disposal of TUSB's 20% equity interest in Lekir Bulk Terminal Sdn. Bhd. ("LBTSB") to Pelabuhan Lumut Sdn. Bhd. ("PLSB"), representing 13,600,000 ordinary shares in LBTSB, for a total cash consideration of RM90,000,000 ("Purchase Price"). TUSB received the full payment of the Purchase Price and delivered all the Completion Documents to PLSB. With the completion of the disposal, LBTSB ceased to be an associate of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. DISPOSAL OF INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Disposal of investment in Lekir Bulk Terminal Sdn. Bhd. ("LBTSB") (continued)

The disposal had the following effect on the financial position of the Group:

Group	2018 RM'000
Proceeds from disposal	90,000
Carrying amount of investment	(34,728)
Gain on disposal recognised in statement of profit or loss and other comprehensive income	55,272

(b) Disposal of interest in Muscat City Desalination Company S.A.O.G ("MCDC")

On 6 February 2018, Malakoff Gulf Limited, an indirect wholly-owned subsidiary of the Group disposed 12.5% of its interest in MCDC, an associated company upon the Initial Public Offering ("IPO") of MCDC shares for a total consideration of RM23,478,000. Upon completion of this partial disposal, the Group's equity interest in MCDC reduced from 45.0% to 32.5%.

The disposal had the following effect on the financial position of the Group:

Group	2018 RM'000
Proceeds from disposal	23,478
Carrying amount of investment	(17,474)
Gain on disposal recognised in statement of profit or loss and other comprehensive income	6,004

39. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

Impacts on financial statements

There is no significant impact on the adoption of MFRS 15 on the financial statements of the Group and of the Company.

The adoption of MFRS 9 did not have any significant effect upon their initial application, except for the effect of applying the impairment assessment based on the expected credit loss model on trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impacts on financial statements (continued)

The following tables summarise the impacts arising from the adoption of MFRS 9 on the Group's and the Company's financial statements:

Group	As previously restated RM'000	Effects of MFRS 9 adoption RM'000	As restated RM'000
As at 1 January 2018			
Trade and other receivables	2,118,834	(1,918)	2,116,916
Deferred tax assets	139,487	461	139,948
Others	27,621,535	-	27,621,535
Total assets	29,879,856	(1,457)	29,878,399
Others	(23,001,336)	-	(23,001,336)
Total liabilities	(23,001,336)	-	(23,001,336)
Accumulated losses	19,007	1,457	20,464
Others	(6,897,527)	-	(6,897,527)
Total equity	(6,878,520)	1,457	(6,877,063)
Total equity and liabilities	(29,879,856)	1,457	(29,878,399)

Company	As previously stated RM'000	Effects of MFRS 9 adoption RM'000	As restated RM'000
As at 1 January 2018			
Trade and other receivables	1,721,859	(67,588)	1,654,271
Others	9,208,644	-	9,208,644
Total assets	10,930,503	(67,588)	10,862,915
Others	(1,964,400)	-	(1,964,400)
Total liabilities	(1,964,400)	-	(1,964,400)
Retained profits	(3,274,689)	67,588	(3,207,101)
Others	(5,691,414)	-	(5,691,414)
Total equity	(8,966,103)	67,588	(8,898,515)
Total equity and liabilities	(10,930,503)	67,588	(10,862,915)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Accounting for financial instruments

a) Transition

In the adoption of MFRS 9, the following transitional exemptions, as permitted by the standard, have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018		
			Reclassification to new MFRS 9 category	
Category under MFRS 139 **Group**	**31 December 2017** **RM'000**	**Remeasurement** **RM'000**	**AC** **RM'000**	**FVTPL-DUIR** **RM'000**
Financial assets				
Loans and receivables				
Trade and other receivables*	2,031,102	(1,918)	2,029,184	-
Other investments	2,641,829	-	2,641,829	-
Cash and cash equivalents	2,355,529	-	2,355,529	-
	7,028,460	(1,918)	7,026,542	-
Fair value through profit or loss – Designated upon initial recognition				
Derivative financial assets	417,283	-	-	417,283
	417,283	-	-	417,283
Financial liabilities				
Other financial liabilities measured at amortised cost				
Loans and borrowings	(15,830,981)	-	(15,830,981)	-
Trade and other payables	(1,502,068)	-	(1,502,068)	-
	(17,333,049)	-	(17,333,049)	-
Fair value through profit or loss – Designated upon initial recognition				
Derivative financial liabilities	(135,713)	-	-	(135,713)
	(135,713)	-	-	(135,713)

* Excludes non-financial instruments

39. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Accounting for financial instruments (continued)

b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

		1 January 2018	
			Reclassification to new MFRS 9 category
Category under MFRS 139 Company	**31 December 2017 RM'000**	**Remeasurement RM'000**	**AC RM'000**
Financial assets			
Loans and receivables			
Trade and other receivables*	1,721,859	(67,588)	1,654,271
Cash and cash equivalents	388,809	-	388,809
	2,110,668	(67,588)	2,043,080
Financial liabilities			
Other financial liabilities measured at amortised cost			
Trade and other payables	(1,922,797)	-	(1,922,797)
	(1,922,797)	-	(1,922,797)

* Excludes non-financial instruments

Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now classified at amortised cost. An increase of RM1,918,000 and RM67,588,000 in allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to MFRS 9.

40. COMPARATIVE FIGURES

a) Prior year adjustments

Shuaibah Water and Electricity Company Limited ("SWEC") and Shuaibah Expansion Project Company Limited ("SEPCO"), a 12% and 11.9% owned indirect associates of the Group respectively, had reassessed their application of certain accounting policies and concluded that there had been under-recognition of deferred tax liabilities, depreciation of property, plant and equipment and cash flow hedge reserve in the previous years. Consequently, both SWEC and SEPCO have restated their property, plant and equipment, deferred tax assets/liabilities, cash flow hedge reserve and retained earnings balances in prior years, retrospectively.

As a result, the Group has restated the share of results of associates, investments in associates, retained earnings and reserve balances in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. COMPARATIVE FIGURES (CONTINUED)

b) Reclassification

The Group has reclassified certain prior year operating expenses from 'other operating expenses' to 'costs of sales' to reflect the nature of the costs and to conform to the current financial year presentation. There is no impact on the profit or loss or retained earnings from this reclassification.

These are applied retrospectively and the effects are as follows:

i) Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2017

Group	As restated RM'000	As previously stated RM'000
Costs of sales	(5,655,236)	(5,587,874)
Other operating expenses	(88,802)	(156,164)
Share of profit of equity-accounted associates	75,218	89,238
Profit before tax	574,506	588,526
Profit for the year	362,918	376,938
Profit attributable to owners of the Company	295,931	309,951
Share of hedging reserve of equity-accounted associates	76,802	86,371
Total comprehensive income attributable to owners of the Company	277,225	300,814

ii) Statement of financial position as at 31 December 2017

Group	As restated RM'000	As previously stated RM'000
Investments in associates	1,532,908	1,571,049
Reserves	(180,543)	(111,997)
Accumulated losses/(Retained profits)	19,007	(87,680)

iii) Statement of financial position as at 1 January 2017

Group	As restated RM'000	As previously stated RM'000
Investments in associates	1,461,458	1,476,010
Reserves	(189,277)	(111,162)
Retained profits	(19,668)	(112,335)

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 123 to 236 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 2018 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	**Dato' Sri Che Khalib bin Mohamad Noh**
Chairman	Director

Kuala Lumpur

8 March 2019

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 123 to 236 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohd Nazersham bin Mansor, NRIC: 730416-14-5671, MIA CA34453, at Kuala Lumpur in the Federal Territory on 8 March 2019.

………………………………………………………...........

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 2018 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 123 to 236.

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 2018, 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

Intangible assets and investments in associates

Refer to Note 2 - Significant accounting policy: Intangible assets and investments in associates in Note 4 and 7 - Intangible assets and investments in associates.

The key audit matter	How the matter was addressed in our audit
We focused on intangible assets 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 intangible assets 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's 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") and Power and Water Purchase Agreement ("PWPA"); - Net energy output – we compared the assumption to the forecasted demand prepared by the customer and based on past experience and capacity of the power plant; 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 intangible assets 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 in Note 6 and 7 – Investments in subsidiaries and investments in associates.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Company has significant investments in subsidiaries and associates amounting to RM7,731,002,000 (2017: RM7,710,649,000) and RM749,753,000 (2017: RM1,073,597,000) respectively. We identified the valuation 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 statement 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 the assumptions with internally derived information and external market data; • We considered the adequacy of the disclosures of the assumptions applied, which are particularly sensitive, uncertain or require significant judgment, in the financial statements. • Evaluated the Company's assessment on indications of impairment by considering whether it had factored or considered relevant internal and external information; • Compared the impairment test models with the requirements of the accounting standards; and • Ascertained the appropriateness and the adequacy of disclosures made in the financial statements.

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.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAKOFF CORPORATION BERHAD
(COMPANY NO. 731568-V) (INCORPORATED IN MALAYSIA) (CONTINUED)

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: 02613/12/2020 J
Chartered Accountant

Petaling Jaya

8 March 2019

LIST OF PROPERTIES

PROPERTIES OWNED BY OUR GROUP

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 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.	4,285,508.38 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.	9	1,228 sq metre	N/A	2,078,789.18
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.	13	1,986 sq metre	N/A	2,180,029.23

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
5.	**SEV** HSD 29841 PT 6325, Mukim of Pengkalan Baharu, District of Manjung, Perak Darul Ridzuan, Malaysia Lumut Power Plant, Persiaran Segari Off Highway 60, Daerah Manjung, 32200 Segari, Perak Darul Ridzuan, Malaysia Leasehold for a period of 99 years, expiring on 12 January 2094	Industrial land/ The land is currently used for the SEV Power Plant, which includes an administration building, a single-storey simulator training building, a single-storey clubhouse, a guard house, a gas turbine building, a steam turbine building, a fuel oil tank farm, a warehouse and a black start diesel generator building.		26,787 sq metre/ 148,400 sq metre	The land cannot be transferred, charged, leased without the prior approval of the Menteri Besar of Perak.	3,955,000.00 Refer to note (2)
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 discharges and pending court order for revocation of power of attorney	Refer to notes (2) and (5)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
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 Energy & Gas Trading Sdn. Bhd. 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** HSD 23550, PT 4034 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)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
9.	**PD Power** GRN 237771 Lot 13409, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Commercial or industrial land for power plant/ The land is currently used for the Port Dickson Power Plant which includes a building to house four units of gas turbine, a fuel oil tank farm, a warehouse and a black start diesel generator.		5,560 sq metre/ 94,210 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
10.	**PD Power** GRN 237773 Lot 13411, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Commercial or industrial land for electrical substation/ The land is currently used for TNB switch yard and transmission for interconnection facilities.		N/A/ 5,459 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
11.	**PD Power** GRN 237774 Lot 13412, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for office building/ The land is currently used for double-storey administration office building for the Port Dickson Power Plant.		510 sq metre/ 4,654 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
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 Energy & Gas Trading Sdn. Bhd. 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)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
13.	**PD Power** GRN 237768 Lot 13406, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for residential/ Vacant land.		N/A/ 1,684 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
14.	**PD Power** GRN 237769 Lot 13407, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for residential/ Vacant land.		N/A/ 6,143 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
15.	**PD Power** GRN 237770 Lot 13408, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Agriculture land/ Vacant land and pond.		N/A/ 6.641 Ha	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
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)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
17.	**PD Power** GRN 237777 Lot 13416, Pekan and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for residential/ The land is currently used for single-storey guard house building for the Port Dickson Power Plant.		42 sq metre/ 3,225 sq metre	The land cannot be transferred, charged, leased without the prior approval of the state authority.	Refer to note (6)
18.	**PD Power** HSD 21135 Lot 484, Mukim and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for multipurpose hall/ The land is currently used for multipurpose public hall.		760 sq metre/ 0.554 Ha	Nil	Refer to note (6)
19.	**PD Power** HSD 21134 Lot 483, Mukim and District of Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Batu 2, Jalan Seremban, 71000 Port Dickson, Negeri Sembilan Darul Khusus, Malaysia Freehold	Building land for recreational field/ The land is currently used for public football field and multipurpose court.		N/A/ 1.897 Ha	Nil	Refer to note (6)
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 213 sq metre for GRN 35884	Nil	Nil

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
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 13A[th] floor of a commercial building.	13	975 sq metre/ N/A	N/A	668,082.39
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.	16	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.	16	970 sq metre/ N/A	N/A	Refer to note (8)
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.	16	983 sq metre/ N/A	N/A	Refer to note (8)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
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.	16	272 sq metre	N/A	Refer to note (8)
26	**DKSB** HSD 30118 PT 34621, Mukim of Siti-awan, 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)
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	

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

No.	Name of registered owner/ (Beneficial owner, if applicable)/ Lot. no./Postal address/Tenure	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Restriction in interest/ encumbrances	Audited Net book value as at 31 December 2018 RM
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	

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 2019 until 31 January 2020 via a new supplemental letter dated 21 February 2019. 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*

LIST OF PROPERTIES (CONTINUED)

PROPERTIES OWNED BY OUR GROUP (CONTINUED)

The details of lands and buildings owned by us are set out below:

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 2018 of the properties under item no. 6 to item no. 8 is RM1,841,000.00. The respective properties were not audited on an individual basis.

6) The audited NBV as at 31 December 2018 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 2018 of the properties under item no. 22 to item no. 25 is RM 1,285,083.67. 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 2018 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 (CONTINUED)

PROPERTIES LEASED/TENANTED BY OUR GROUP

The details of material properties leased/tenanted by us are set out below:

No.	Name of lessor/lessee or landlord/ tenant or grantor/ grantee/Lot. no./ Postal address	Description of property/ Existing use	Approximate Age of Buildings (years)	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 PETRONAS Energy & Gas Trading Sdn. Bhd. as per Sub Lease Agreement dated 5 July 2006.		6,954 sq metre/ 46.168 acres	A lease for a period of 24 years, expiring on 7 November 2024	Lump sum payment of 16,000,000.00
2.	Seaport (as lessor)/TBP (as lessee) HSD 11438 PTD 1859, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for heavy industries of power station only/ The land is currently used for the Tanjung Bin Power Plant complex and other related purpose.		238,716 sq metre/ 69.963 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
3.	Seaport (as lessor)/TBP (as lessee) HSD 10927 PTD 1773, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Building land for coal ash disposal pond/ Vacant land with mudflat area.		N/A/ 156.533 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
4.	Seaport (as lessor)/TBP (as lessee) HSD 10924 PTD 1771, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Commercial or industrial land for permanent jetty and any structure related thereto/ The land is currently erected with a permanent jetty and the structures related thereto including conveyor belt and coal unloaders.		N/A/ 1.730 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES LEASED/TENANTED BY OUR GROUP (CONTINUED)

The details of material properties leased/tenanted by us are set out below:

No.	Name of lessor/lessee or landlord/ tenant or grantor/ grantee/Lot. no./ Postal address	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Tenure/Date of expiry	Rental RM
5.	Seaport (as lessor)/TBP (as lessee) HSD 13031 PTD 2098, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for coal ash disposal pond/ The land is currently used as ash pond for the Tanjung Bin Power Plant.		N/A/ 91.024 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
6.	Seaport (as lessor)/TBP (as lessee) HSD 13032 PTD 2099, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Power Plant, Lot 1769 & Lot 1770, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for coal ash disposal pond/The land is currently used as ash pond for the Tanjung Bin Power Plant.		N/A/ 0.597 Ha	A lease for a period of 45 years, expiring on 31 January 2048	Refer to note (1)
7.	Seaport (as lessor)/TBE (as lessee) HSD 13028 PTD 2095, Mukim of Serkat, District of Pontian, Johor Darul Takzim, Malaysia Tanjung Bin Energy T4, Tanjung Bin, Serkat 82030 Pontian, Johor Darul Takzim, Malaysia	Industrial land for power station and other related purposes only/ The land is currently 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 (2)	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 (2)	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 20 March 2041, being the 25th anniversary of the COD of the Tanjung Bin Energy Power Plant Refer to note (3)	Nil Refer to note (3)

LIST OF PROPERTIES (CONTINUED)

PROPERTIES LEASED/TENANTED BY OUR GROUP (CONTINUED)

The details of material properties leased/tenanted by us are set out below:

No.	Name of lessor/lessee or landlord/ tenant or grantor/ grantee/Lot. no./ Postal address	Description of property/ Existing use	Approximate Age of Buildings (years)	Built-up area/ Land area	Tenure/Date of expiry	Rental RM
10.	Lembaga Tabung Haji (as landlord)/ Malakoff (as tenant) Part of GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur, Level 7 to Level 13, Building no. 4, Plaza Sentral, Brickfields, Kuala Lumpur, Malaysia Level 7 to Level 13, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	Seven office units each on the 7th, 8th, 9th, 10th, 11th, 12th and 13th floor of a commercial building/ Currently used as office space by Malakoff.	16	7,854 sq metre/ N/A	Period of tenancy from 1 July 2018 until 30 June 2021	464, 964.50 per month
11.	Lembaga Tabung Haji (as landlord)/M Utilities (as tenant) Part of GRN 46226, Lot 78 Section 0070, Town of Kuala Lumpur, Level Ground, Building no. 4, Plaza Sentral, Brickfields, Kuala Lumpur, Malaysia Suite 4-G-A, Ground Floor, Block 4, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia	The ground level of a commercial building/ Currently used as office space by M Utilities.	16	349 sq metre/ N/A	Period of tenancy from 1 July 2018 until 30 June 2021	35,720.00 per month
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/ 13591 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 vacant.		10, 689 sq ft		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 October 2017 until 15 April 2019	68,409.60

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.*

LIST OF PROPERTIES (CONTINUED)

PROPERTIES LEASED/TENANTED BY OUR GROUP (CONTINUED)

The details of material properties leased/tenanted by us are set out below:

Notes (continued):

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 and Anna Jen 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; and (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 (CONTINUED)

MATERIAL EQUIPMENT

The material plants and equipment used by our operations are set out below:

Description	Audited NBV as at 31 December 2018
	RM '000
The building, plant and machinery of the SEV Power Plant	1,220,260
The building, plant and machinery of the GB3 Power Plant	497,675
The building, plant and machinery of the Prai Power Plant	410,610
The building, plant and machinery of the TBP Power Plant	4,761,927
The building, plant and machinery of the Port Dickson Power Plant	65,000
The building, plant and machinery of the TBE Power Plant	5,587,201
Total	**12,542,673**

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 25 FEBRUARY 2019

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 (Inclusive of treasury shares of 112,148,700)
Voting Rights	:	One vote per ordinary share
Number of Shareholders	:	18,832

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	139	0.74	1,399	0.00
100 – 1,000	2,756	14.63	1,609,746	0.03
1,001 – 10,000	9,399	49.91	50,328,673	1.03
10,001 – 100,000	5,651	30.01	176,116,168	3.60
100,001 to less than 5% of issued shares	881	4.68	975,653,860	19.96
5% and above of issued shares	6	0.03	3,684,141,454	75.38
TOTAL	**18,832**	**100.00**	**4,887,851,300***	**100.00**

** Excluding treasury shares of 112,148,700*

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS

a) Directors' Interest in the Company as per the Register of Directors' Shareholding

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Datuk Haji Hasni Harun	-	-	-	-
Dato' Sri Che Khalib Mohamad Noh	420,000	0.01	-	-
Datuk Ooi Teik Huat	420,000	0.01	-	-
Datuk Idris Abdullah	172,100	0.00	-	-
Datuk Dr Syed Muhamad Syed Abdul Kadir	150,000	0.00	-	-
Cindy Tan Ler Chin	-	-	-	-
Datuk Rozimi Remeli	-	-	-	-
Sharifah Sofia Syed Mokhtar Shah	-	-	-	-

b) Chief Executive Officer (Who is not a Director)

	Direct		Indirect	
Name	No. of shares	%	No. of shares	%
Dato' Ahmad Fuaad Mohd Kenali	-	-	-	-

SHAREHOLDINGS STATISTICS
AS AT 25 FEBRUARY 2019 (CONTINUED)

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	20.08	-	-
2	MMC Corporation Berhad ("MMC")	897,695,630	18.36	981,341,460 (2)	20.08
3	Employees Provident Fund Board (3)	578,749,730	11.84	-	-
4	Urusharta Jamaah Sdn Bhd	500,000,000	10.23	-	-
5	Kumpulan Wang Persaraan (Diperbadankan) (4)	417,228,134	8.54	-	-
6	Amanah Saham Bumiputera (5)	309,126,500	6.32	-	-
7	Seaport Terminal (Johore) Sdn Bhd ("Seaport") (6)	-	-	1,879,037,090	38.44
8	Indra Cita Sdn Bhd ("ICSB") (7)	-	-	1,879,037,090	38.44
9	Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor (8)	-	-	1,879,037,090	38.44

Notes:

(1) Of which 103,046,040 shares held through its own account, 520,384,230 shares held through Bank Muamalat Malaysia Berhad and 357,911,190 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 578,749,730 shares held through Citigroup Nominees (Tempatan) Sdn. Bhd.

(4) Of which 391,262,134 shares held through its own account and 25,966,000 shares held through various CDS accounts of Citigroup Nominees (Tempatan) Sdn Bhd.

(5) Of which 309,126,500 shares held through Amanahraya Trustees Berhad.

(6) Deemed interested by virtue of its direct major shareholdings in MMC.

(7) Deemed interested through Seaport.

(8) Deemed interested through ICSB

SHAREHOLDINGS STATISTICS

AS AT 25 FEBRUARY 2019 (CONTINUED)

30 Largest Shareholders

No	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	MMC CORPORATION BERHAD	897,695,630	18.37
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	578,749,730	11.84
3	BANK MUAMALAT MALAYSIA BERHAD PLEDGED SECURITIES ACCOUNT FOR ANGLO-ORIENTAL (ANNUITIES) SDN BHD	520,384,230	10.65
4	URUSHARTA JAMAAH SDN BHD	500,000,000	10.23
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	391,262,134	8.00
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) FOR ANGLO-ORIENTAL (ANNUITIES) SDN. BHD.	357,911,190	7.32
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	309,126,500	6.32
8	ANGLO-ORIENTAL (ANNUITIES) SDN BHD	103,046,040	2.11
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 – WAWASAN	98,000,000	2.00
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	70,037,900	1.43
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	62,541,900	1.28
12	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	38,377,000	0.79
13	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	37,902,000	0.78
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)(419455)	33,171,800	0.68
15	VALUECAP SDN BHD	26,500,000	0.54
16	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	25,498,900	0.52
17	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	23,697,100	0.48
18	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	20,000,000	0.41

SHAREHOLDINGS STATISTICS

AS AT 25 FEBRUARY 2019 (CONTINUED)

30 Largest Shareholders (continued)

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
19	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3	15,730,300	0.32
20	PERMODALAN NASIONAL BERHAD	13,873,600	0.28
21	SERAIMAS BINA SDN BHD	11,675,400	0.24
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	11,279,998	0.23
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN)(CIMB EQUITIES)	10,994,100	0.22
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	10,845,800	0.22
25	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	9,028,000	0.18
26	WENDY LAU SIE SIE	8,000,000	0.16
27	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (DR)	7,813,000	0.16
28	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	7,727,700	0.16
29	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR VANGUARD FTSE ALL-WORLD EX-US SMALL-CAP INDEX FUND	7,644,200	0.16
30	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEES BERHAD – KENANGA GROWTH FUND	7,591,000	0.16
	TOTAL	**4,216,105,152**	**86.24**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING ("**AGM**") OF **MALAKOFF CORPORATION BERHAD ("THE COMPANY")** WILL BE HELD AT **MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA** ON **THURSDAY, 25 APRIL 2019** 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 2018 and the Directors' Report and Auditors' Report thereon be and are hereby received."

   (Please refer to Explanatory Note 1)

2. "**THAT** a final single-tier dividend of 3.5 sen per share for the financial year ended 31 December 2018 be and is hereby approved." **Resolution 1**

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) Datuk Dr. Syed Muhamad Syed Abdul Kadir **Resolution 2**
   (ii) Datuk Idris Abdullah" **Resolution 3**

   (Please refer to Explanatory Note 2)

4. "**THAT** Cik Sharifah Sofia Syed Mokhtar Shah who retires in accordance with Article 111 of the Company's Constitution be and is hereby re-elected as the Director of the Company." **Resolution 4**

   (Please refer to Explanatory Note 2)

5. "**THAT** the payment of Directors' fees up to an amount of RM1,170,000 to the Non-Executive Directors ("**NED**") from the conclusion of the 13th AGM until the next AGM of the Company be and is hereby approved." **Resolution 5**

   (Please refer to Explanatory Note 3)

6. "**THAT** the payment of Directors' benefits to the NEDs at the capping amount of RM1,350,000 from the conclusion of the 13th AGM until the next AGM of the Company be and is hereby approved." **Resolution 6**

   (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 7**

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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 8**

"**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:

a) 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;
b) 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
c) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:
   (i) the conclusion of the next annual general meeting 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 unconditionally;
   (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
   (iii) 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 and Consumer Affairs may by order prescribe;

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)

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

9. To consider and, if thought fit, to pass the following Special Resolution:- **Resolution 9**

   Proposed Adoption of New Constitution of the Company

   "**THAT** approval be and is hereby given for the Company to adopt the new Constitution as set out in Appendix II of the Company's circular to shareholders dated 27 March 2019, in place of the existing Constitution with immediate effect.

   AND THAT the Directors of the Company be and is hereby authorised to do all acts, deeds and things as are necessary and/or expedient with full power to assent to any modifications, variations and/or amendments as may be required by the relevant authorities to give full effect to the foregoing."

   (Please refer to Explanatory Note 5)

10. 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 10 May 2019 shall be entitled to the final dividend which will be paid on 31 May 2019.

A depositor shall qualify for dividend entitlement only in respect of:

a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 10 May 2019 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
27 March 2019

Notes:

1. The proxy form, to be valid, must be deposited at the office of Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 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 17 April 2019 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 (CONTINUED)

Explanatory Notes on Ordinary Business:-

1. **Audited Financial Statements for the financial year ended 31 December 2018**

   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. **Re-election of Directors retiring in accordance with Articles 105 and 111**

   The proposed ordinary resolutions 2 and 3 under Agenda 3 and ordinary resolution 4 under Agenda 4 of the 13th AGM are to seek the shareholders' approval for 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 said Directors for the following reasons:-

   i) **Datuk Dr. Syed Muhamad Syed Abdul Kadir retires in accordance with Article 105**

   The recommendation to re-elect Datuk Dr. Syed Muhamad is supported by his diverse education background in both the business administration and law. Given his invaluable exposure and experience in both the public and private sectors, 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. Being meticulous and disciplined, Datuk Dr. Syed Muhamad has brought the right balance to the proceedings of the Board and Board Committees in which he serves.

   Based on his self-independence assessment, Datuk Dr. Syed Muhamad had declared his independence as per the criteria prescribed by the Main Market Listing Requirements ("**MMLR**") of Bursa Securities. The Board Nomination and Remuneration Committee ("**BNRC**") (save for Datuk Dr. Syed Muhamad) had based on self-declaration of Datuk Dr. Syed Muhamad 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.

   ii) **Datuk Idris Abdullah retires in accordance with Article 105**

   The recommendation to re-elect Datuk Idris is supported by his vast legal knowledge and his business acumen gained throughout his career. He also possesses a good understanding of the business and the environment in which it operates and the challenges it faces.

   Based on his self-independence assessment, Datuk Idris had declared his independence as per the criteria prescribed by the MMLR of the Bursa Securities. The BNRC (save for Datuk Idris) had, based on self-declaration of Datuk Idris 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.

   iii) **Cik Sharifah Sofia Syed Mokhtar Shah retires in accordance with Article 111**

   The recommendation to re-elect Cik Sharifah Sofia is supported by her experience and knowledge in various industries especially in the financial sector. She brings diversity in age as she is the youngest member of the Board. With her appointment, the age profile of the Board will be more balanced and she is able to bring new perspective and ideas to the Board's discussions.

3. **NEDs' Remuneration**

   Pursuant to Section 230(1) of the Act, a public listed company is required to table, amongst others, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries for the shareholders' approval at a general meeting.

   The proposed ordinary resolutions 5 and 6 under the respective Agenda 5 and 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 approval period after the NEDs have discharged their responsibilities and rendered their services to the Company:-

   - Directors' fees; and
   - Benefits payable by the Company comprising Board Committee allowances, meeting allowances, annual leave passage and/or annual supplemental fees including benefits-in-kind to the Chairman.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

3. NEDs' Remuneration (continued)

The current Directors' remuneration payable to the NEDs are summarised in the table below:-

Board/Board committees	Directors' fees/allowances (per member)		Meeting allowances (per member)	
	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	N/A	N/A	3,000	2,000

Items	Other benefits	
	NEC (RM)	Per NED (RM)
i) Annual leave passage & annual supplemental fees	25,000 per annum	25,000 per annum
ii) Benefits-in-kind (Board only)	up to 3,500 per month (as claimed)	N/A

(each of the foregoing payments being exclusive of the others)

Explanatory Notes on Special Business:-

4. Proposed Renewal of Share Buy-Back Authority

The proposed resolution 8 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 at the time of the purchase(s).

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 27 March 2019 which is circulated together with the 2018 Annual Report of the Company.

5. Proposed Adoption of New Constitution of the Company

The proposed resolution 9 under Agenda 9, if passed, will align the Company's Constitution with the Act, the updated provisions of the MMLR of Bursa Securities and other prevailing statutory and regulatory requirements.

The Board has proposed that the existing Constitution of the Company be replaced in its entirety with a new Constitution once the proposed resolution 9 is approved by at least seventy-five percent (75%) of the shareholders who are present and entitled to vote at the AGM.

The proposed new Constitution of the Company is set out in the Circular to Shareholders dated 27 March 2019 and circulated together with the 2018 Annual Report of the Company.

6. 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 13th AGM and the resolutions concerning remuneration of the NEDs at the 13th AGM.

ADMINISTRATIVE DETAILS

ADMINISTRATIVE DETAILS FOR THE THIRTEENTH ANNUAL GENERAL MEETING **("AGM")** OF MALAKOFF CORPORATION BERHAD **("MALAKOFF" OR "THE COMPANY")** TO BE HELD AT MAHKOTA BALLROOM, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, MALAYSIA **("HOTEL")** ON **THURSDAY, 25 APRIL 2019** 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 refreshment 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

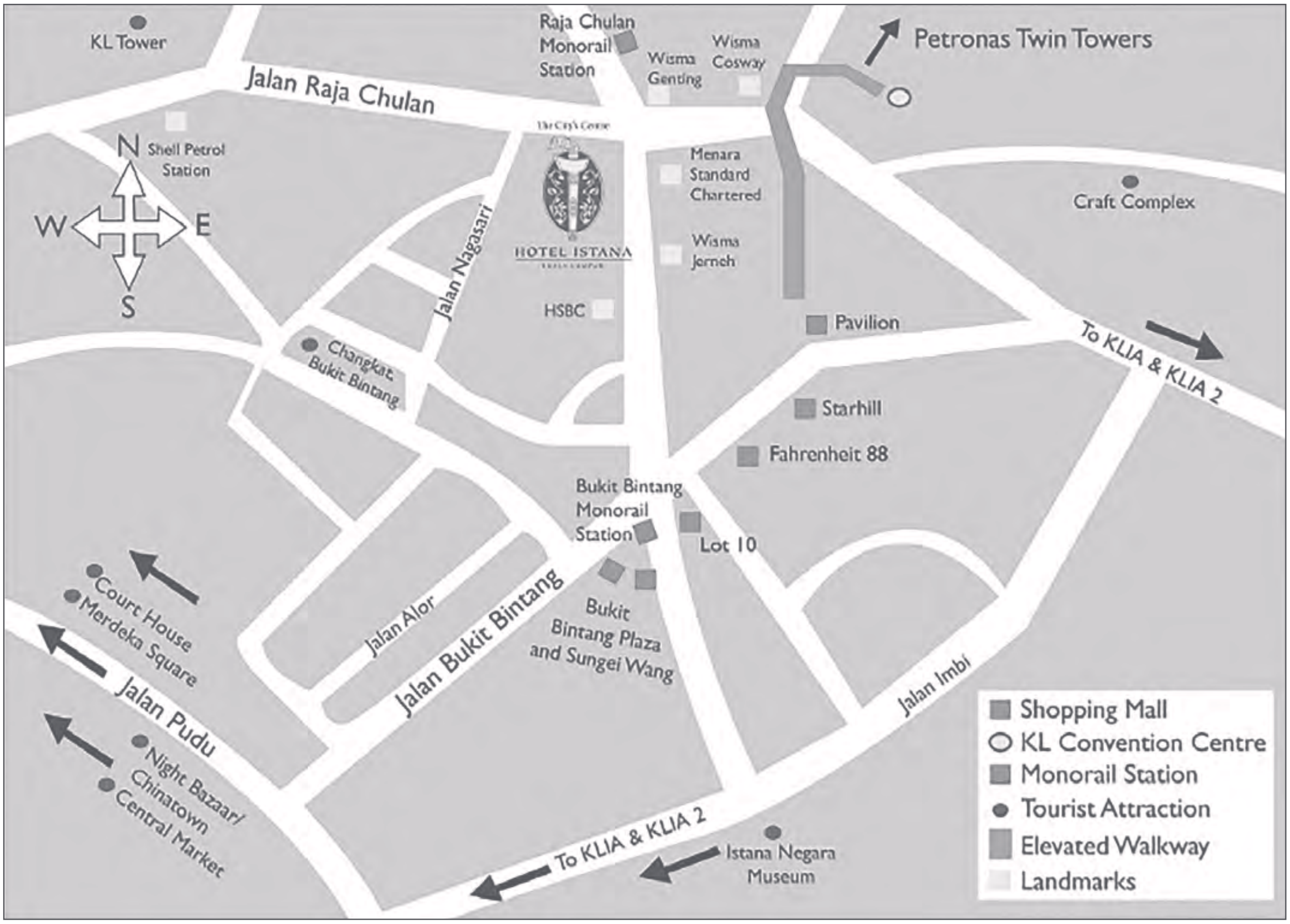
Only depositors whose names appear on the Record of Depositors as at 17 April 2019 shall be entitled to attend the AGM or appoint proxy(ies) to attend and/or vote on their behalf.

VOTING PROCEDURE

- All resolutions as set out in the Notice of the 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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) at 03-7849 0777.

ADMINISTRATIVE DETAILS (CONTINUED)

ROUTE MAP OF THE VENUE OF AGM - HOTEL ISTANA



PROXY FORM

Malakoff Corporation Berhad (Company No. 731568-V)

No. of Ordinary Share(s) Held	
CDS Account No.	

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	____________________	__________	__________	or failing him/her,

the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting ("AGM") of the Company to be held at Mahkota Ballroom, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia on Thursday, 25 April 2019 at 10.00 a.m. and at any adjournments thereof, on the following resolutions referred to in notice of the AGM:

(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 2018 and the Directors' Report and Auditors' Report thereon.		
	ORDINARY BUSINESS	**For**	**Against**
2.	Declaration of final single-tier dividend of 3.5 sen per share (Resolution 1)		
3.	Re-election of Datuk Dr. Syed Muhamad Syed Abdul Kadir who retires in accordance with Article 105 of the Company's Constitution (Resolution 2)		
4.	Re-election of Datuk Idris Abdullah who retires in accordance with Article 105 of the Company's Constitution (Resolution 3)		
5.	Re-election of Cik Sharifah Sofia Syed Mokhtar Shah who retires in accordance with Article 111 of the Company's Constitution (Resolution 4)		
6.	Payment of Directors' fees to the Non-Executive Directors from the conclusion of the 13th AGM until the next AGM of the Company (Resolution 5)		
7.	Payment of Directors' benefits to the Non-Executive Directors from the conclusion of the 13th AGM until the next AGM of the Company (Resolution 6)		
8.	Re-appointment of Messrs. KPMG PLT as Auditors of the Company (Resolution 7)		
	SPECIAL BUSINESS		
9.	Proposed Renewal of Authority for the Company to Purchase Its Own Shares (Resolution 8)		
10.	Proposed Adoption of New Constitution of the Company (Resolution 9)		

Signed this __________ day of ______________ 2019

____

Signature of member / Common Seal

Notes:

1. The proxy form, to be valid, must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 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 17 April 2019 shall be entitled to attend the Annual General Meeting or appoint proxies to attend and/or vote on their behalf.

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Malakoff Corporation Berhad
13th Annual General Meeting

STAMP

To: **Boardroom Share Registrars Sdn Bhd**
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House,
Pusat Dagangan Dana 1, Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor Darul Ehsan,
Malaysia

Please fold here

MALAKOFF

A Member of MMC Group

MALAKOFF CORPORATION BERHAD (731568-V)
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